



A Phoenix in Dresden

A spirit of enterprise struggles from the ashes of communist oppression



Is your job safe?

When recession hits your employer, it is well to be financially prepared

First catch your hare
Then think about a truly traditional English dinner

Jane Glover

Christian Tyler talks to a conductor who hides in the limelight

Winter dreams

Clement Crisp assesses Kenneth MacMillan's daring and complex ballet

EUROPE'S BUSINESS NEWSPAPER

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WORLD NEWS

Mandela hits at EC move on sanctions

Nelson Mandela threatened yesterday to turn South Africa "upside down" unless the European Community revoked its decision to start lifting economic sanctions against Pretoria.

The deputy president of the African National Congress complained that the ANC had not been consulted about the EC move, warning: "Once our people realise they have no friends in the international community it will be very difficult to control them, so angry will they be." Page 22

Lithuanian referendum
Lithuanians in the rebel Baltic republic are voting on the issue of independence today in defiance of Moscow. Latvia said it, too, would boycott Moscow's poll on Soviet unity and hold its own independence referendum. Page 4

UK security review
Tighter security measures are almost certain to follow Thursday's IRA mortar attack in Whitehall. The likelihood of greater police protection for politicians, and parking curbs near government buildings. Page 5

Misconduct charges
Britain's most senior police woman Alison Halford, assistant chief constable of Merseyside, is to face charges of serious misconduct, Merseyside police authority said. She will answer the charges before a one-woman disciplinary tribunal. Page 5

Israeli bus attacked
Three Jordanians were killed by Israeli troops after attacking a bus carrying Israeli soldiers. Two soldiers were wounded in the gun battle. Page 2

Action on homeless
Charities urged the government to declare a "housing emergency" to stop the homeless wandering city streets in icy conditions. The call came as the government announced another 200 beds in London. Junior environment minister Tim Yeo said the situation in the capital was being reviewed by the hour.

Albanian reforms
Albania announced plans for a law taking the army, police and courts out of communist control. The plan meets one of the main demands of Albania's opposition.

Bomb-planters jailed
Belfast couple Patrick Joseph Sheehan, 32, and Marie Wright, 30, were jailed for 24 years each in Northern Ireland for attempting to murder members of the security forces. They were caught in 1989 planting a bomb on a security barrier near a police station.

Slad Barre 'in control'
Ousted Somali president Mohamed Slad Barre, who fled from the capital Mogadishu last month, still controls most of the country and is seeking backing for peace talks, one of his ministers said. Page 3

Hospital attack
Police in Northern Ireland launched a search for a man who indecently assaulted an eight-year-old girl in a hospital bed in Omagh, County Tyrone. He died after being spotted by two nurses on night duty.

Ritz not to blame
North London accountant Anthony Ward, who fractured his skull falling over a balcony at the Ritz, lost his £1m High Court damages action against the London hotel.

BUSINESS SUMMARY

EC boost for trouble-hit airlines

Europe's troubled airlines were lifted by news that the European Commission is willing to relax temporarily a range of regulations, including capacity-sharing and state aid.

Sir Leon Brittan, EC competition commissioner, outlined the moves, designed to help airlines through the drop in business caused by the Gulf war. Page 22; Airbus expects 50% fall in orders, Page 4; Lockheed set to take control of Luton airport, Page 5

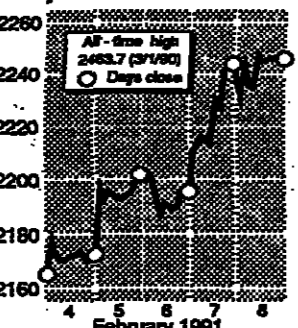
FIMBRA, UK self-regulatory organisation for independent financial advisers, announced 40 redundancies, a fifth of its workforce. In a statement, it said an overhaul of the regulatory system was needed to put it on a firm financial footing. Page 22; Editorial Comment, Page 5; Fimbra failure would alter the face of an industry, Page 5

THORN-EMI, UK music, lighting and defence group, made an offer for control of Thames Television, largest UK independent television company. The offer values Thames at between £124.1m and £148.5m. Page 22; The rapids are past, the waterfall's ahead, Page 7; London stocks, Page 13

LONDON EQUITIES ended a highly successful, two-week trading account in good form, with the FT-SE 100 Index closing

FT-SE 100 Index

Hourly movements



up 1.5 points at 2,245.2. Stocks consolidated their recent gains with turnover only moderately affected by the severe weather problems. Over the last week, the index gained 79.5. London stocks, Page 13; World stocks, Page 15; Fragile optimism in the face of pain, Weekend FT, Page 2

The London Stock Exchange dealers page will be resumed on a weekly basis in the near future.

LEGAL & GENERAL, UK life and general insurer, warned that its 1990 results could be worse than expected. Analysts now expect pre-tax profits of about £70m. Page 7; London stocks, Page 13

TOYOTA MOTOR, largest Japanese car manufacturer, saw half-year pre-tax profits fall 9.6 per cent to ¥298.1bn (£1.17bn). The decline, the first since 1988, came as a slowdown in domestic sales and increased costs hit earnings. Page 10

AUSTRALIAN Kerry Packer's Consolidated Press Holdings seemed to rule itself out of the bidding for the John Fairfax newspaper group after undertaking to keep a 38 per cent holding in the Channel Nine television network. Page 10

MIDLAND BANK introduced a £10 charge on its Access and Visa credit cards. To compensate it has cut its rate to borrowers from 2.35 per cent a month to 2 per cent a month. Page 5

LONDON METAL EXCHANGE: Due to the adverse weather conditions there was no afternoon session on the exchange.

Central banks spend \$500m to prop dollar

By Peter Marsh, Economics Staff

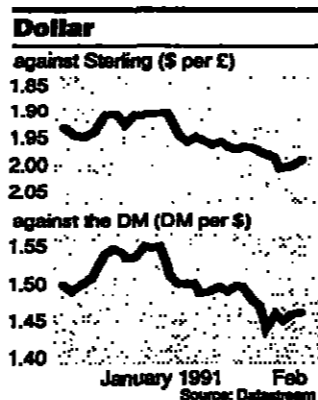
CONCERTED intervention to support the dollar by European and North American central banks yesterday succeeded in blunting a wave of selling pressure in the past few days to reduce the currency's value.

Yesterday's operations in buying dollars are thought to have involved about 15 central banks, which spent an estimated \$500m to stop the US currency's fall.

The efforts appeared to be aimed at setting a floor for the US currency against the D-Mark at around DM1.45. They were rewarded last night as the US currency closed in London at DM1.4565, about half a penny up on the day and above Thursday's record low of DM1.4467. It had closed last Friday at DM1.4675.

Many traders believe selling pressure will continue. Investor perceptions about the dollar are deep rooted: the central banks might have to do a lot more to pull it up," said Mr David Brown, an economist at the London office of Swiss Bank Corporation.

Yesterday's intervention ended a turbulent week in which central banks have made their most vigorous effort since late 1989 to act together to influence the value



of a currency on financial markets. The 1989 move had been to try to cut the dollar's value.

Pressure on the dollar started on Monday, triggered by a cut in US interest rates and a rise in German rates at the end of last week. That led currency investors to switch out of the dollar into the D-Mark, in a move strengthened by expectations that further cuts in US rates are likely in the next few months as the Federal Reserve tries to reduce the impact of the recession.

The Fed was active in the intervention yesterday, supported by the central banks of

Germany, Britain, Italy, France and Canada - five other members from the Group of Seven industrial countries. As in earlier operations, Japan, the other G7 nation, did not join in. However, the central banks of Ireland, Norway, Denmark and Finland participated for the first time, while Austria, Belgium, the Netherlands, Spain, Portugal and Greece also took part.

In earlier interventions, the Fed and the Canadian central bank had acted alone on Tuesday and Thursday, while European banks joined the effort on Monday and Wednesday.

The battle over the dollar's value had little overall impact on sterling. As speculation continued about an imminent reduction in UK base rates, the three-month interbank rate closed a lower at around 15 1/2 per cent its lowest since late November, signalling expectations of easier borrowing conditions which some believe could come as early as next week.

US credit crunch, Page 3
Man in the News, Page 8
G7 on \$ depreciation, Page 9
Currencies, Page 11
London stocks, Page 13
World stocks, Page 15
Lex, Page 22

Iraq's fighting capacity cut by up to 20%, says King

By Paul Abrahams in London and Tony Walker in Riyadh

IRAQ'S fighting capacity has been reduced by 15 per cent to 20 per cent since allied forces established air supremacy 10 days ago, Mr Tom King, the British defence secretary, said yesterday.

This is the most detailed assessment of the effects of coalition bombing in more than 52,000 sorties since Operation Desert Storm was launched on January 17. It comes when allied commanders and their political masters are considering how and when to begin any ground offensive to dislodge the Iraq from Kuwait.

Yesterday Mr Dick Cheney, the US defence secretary, and General Colin Powell, chairman of the US joint chiefs of staff, began a series of meetings in Saudi Arabia with allied theatre commanders during a 48-hour assessment of the progress of the war.

GULF WAR

Page 2

■ **EC prepares post-war plan for Middle East**
■ **Unequal comforts of the frontline**
■ **Civilian casualties much higher, says Red Cross**
■ **Countdown to the land offensive** Page 9
■ **EC willing to relax airline restrictions** Page 22

Mr King will go to Washington next week to co-ordinate allied planning on Mr Cheney's return from Saudi Arabia.

No land assault would be launched, he said, until the military balance had been further adjusted. British sources have indicated that a ground attack was unlikely until the

Iraqis' fighting capability had been reduced by 50 per cent.

As many as 600 tanks had already been destroyed by allied bombardment, Mr King said, and the fighting capability of one of the eight Republican Guard divisions had been reduced by 50 per cent.

He added that allied warplanes had moved to a second phase of bombardment, specifically aimed at destroying the Iraqis' offensive armour capability and reducing the mobility and resupply of their forces in around Kuwait. Phase one had concentrated on destroying Iraqi strategic targets, mostly inside Iraq, and gaining air supremacy.

"The pace of attacks will accelerate," Mr King said. "The forces in the front line will see a vast increase in the concentration of bombardment aimed

Continued on Page 22

Saab Auto losses hit £425m

By Kevin Done in Trollhättan and Robert Taylor in Stockholm

SAAB Automobile, the Swedish car maker, has plunged into a \$425m (£425m) loss for last year and is to close its Malmö car plant.

The Malmö plant in southern Sweden was opened less than 18 months ago after an investment of about \$1.5bn supported by state aid. Its closure will lead to the loss of 870 jobs, part of a worldwide cut from 17,000 to a planned 11,500 by the end of this year.

The scale of the losses at

Saab Automobile, which is 50 per cent owned by General Motors of the US, has wiped out around two thirds of the company's original \$1.5bn risk-bearing shareholders' equity and will force a capital restructuring later this year.

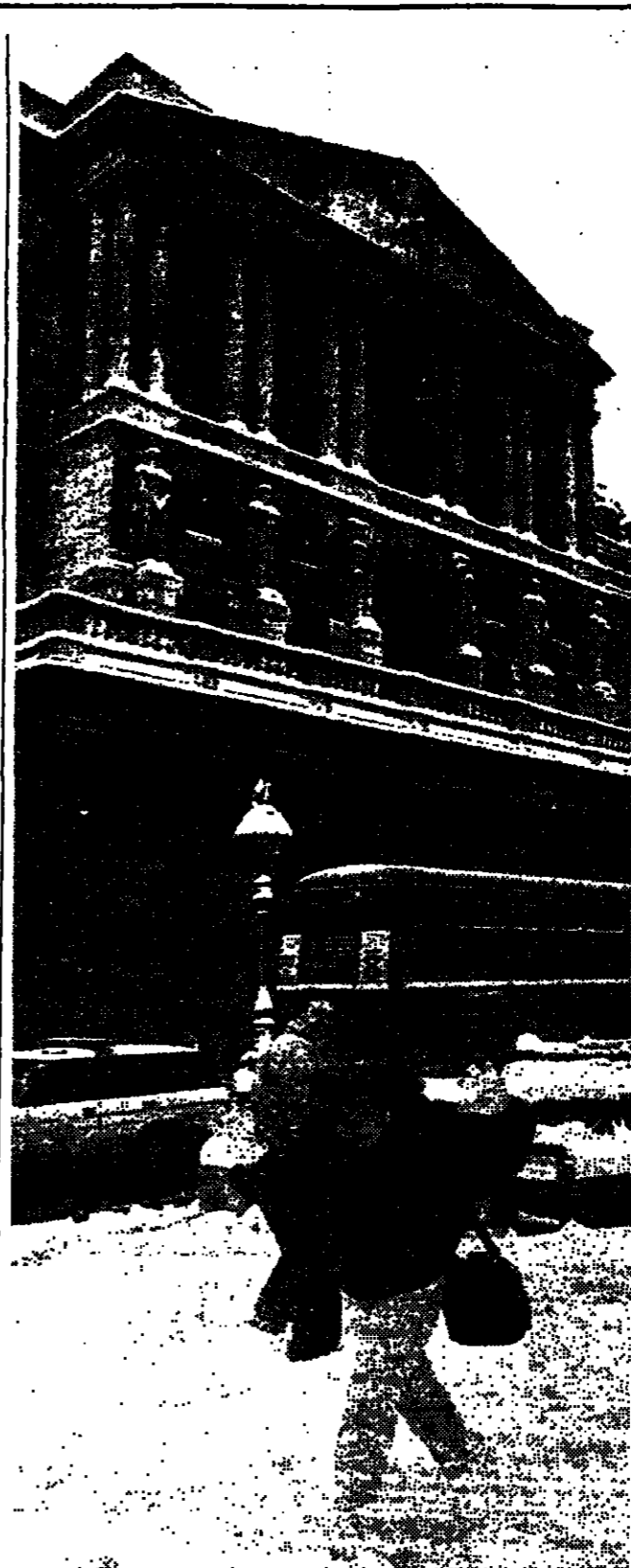
The increase in losses, up from \$1.2bn in 1989 and a marginal profit of \$1.1m the year before, stemmed from falling sales and lower plant capacity utilisation. Saab car sales fell by 14.8 per cent to

93,231. At their peak in 1986 they totalled 127,180.

Both GM and Saab-Scania, the Swedish truck and aerospace maker, which each hold 50 per cent of Saab Automobile, are expected to have to inject new capital to support the company's ambitious product development programme.

Mr David Herman, the GM executive who was appointed Saab Automobile chief executive early last year, said the

Continued on Page 22



Work on the slide: the Bank of England yesterday

Trevor Humphries

Business halts as snowfalls sweep UK

By Andrew Jack and Neil Buckley

THE WORST winter weather in the UK for four years brought transport and businesses to a halt across much of the country yesterday. Forecasters said snowfalls were likely to end over the weekend, but very low temperatures would continue into next week.

Many commuters in the south-east of England failed to get to work, and many of those who did left for home by mid-afternoon. Across the country, schools were closed and other services seriously disrupted.

British Telecom reported a surge in telephone calls from early to mid-morning as people failed to make it to work. In London, 17cm of snow fell on the roof of the London Weather Centre. In the City, the corporation said 30 staff had worked through the night to clear roads, but the financial district remained quiet. At the stock exchange, share turnover was lower than normal, with many traders unable to travel to work.

A banker at Chase Manhattan said only 10 of the 50 people who normally worked on his floor had come in, and he planned to leave at lunchtime.

British Rail said the bad weather was costing "hundreds of thousands of pounds a day" in overtime and track-clearing operations. Although "ghost trains" spraying de-icing liquid were run during the night to keep track free from ice, London's Waterloo and Euston stations were closed for part of the morning. There were curbed services on most commuter routes.

On the roads, many motorways were reduced to single lanes. Some of worst driving conditions were reported in Yorkshire and the north-east. AA Roadwatch said drivers seemed to be heeding police advice to stay at home. In continental Europe, the cold weather caused canals in Venice to freeze over for the first time since 1985.

Weather delays Levitt case, Page 5
Weather, Page 22

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MARKETS

| STERLING | DOLLAR | STOCK INDICES |
|------------------------------|----------------------------------------------|---------------------------------------------------|
| New York lunchtime: \$1.9875 | New York lunchtime: DM1.4565 | FT-SE 100: 2245.2 (+1.5) |
| London: \$1.9875 (1.987) | FF14.9515 | FT Ordinary: 1702.2 (+1.4) |
| DM2.895 (2.8975) | Y127.75 | FT-A All-Share: 1072.83 (+0.1%) |
| FF9.8675 (9.87) | DM1.4565 (1.451) | New York lunchtime: DJ Ind. Av. 2,824.51 (+13.88) |
| SPF2.4725 (2.4725) | FF14.9515 (1.451) | S&P Comp 358.28 (+1.76) |
| Y254.0 (255.5) | SPF1.244 (1.2375) | Tokyo close: Y128.2 |
| \$ index 94.2 (94.4) | \$ index n/a (93.4) | US LUNCHTIME |
| GOLD | New York: Comex Apr \$372.4 (\$70) | 3-month Treasury Bill: yield: 6.08% |
| | London: \$370.25 (368.25) | Long Bond: yield: 7.96% |
| | N SEA OIL (Argus) Brent Mar \$19.975 (20.12) | |

Chief price changes yesterday: Page 22

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Austria \$0.09; Bahrain Dhs0.02; Bermuda \$1.50; Belgium BF40; Canada C\$1.00; Cyprus C\$1.00; Denmark Dkr0.10; Egypt E£3.50; Finland Fmk0.00; France FF7.20; Germany DM3.00; Greece Dr200; Hong Kong HK\$1.00; Hungary Ft120; Iceland IKr100; India Ru0.30; Indonesia Rp0.10; Ireland £0.50; Israel N\$4.00; Italy L200; Japan ¥100; Jordan JD1.00; Korea Won 200; Kuwait Kd0.10; Lebanon L£1.00; Luxembourg Lfr40; Malaysia M\$1.00; Mexico Ps20; Monaco M\$1.00; Nigeria N15.00; Netherlands F1.00; Norway Nkr1.00; Oman Orl.20; Pakistan Rs0.05; Philippines Ps0.40; Poland Zl 1000; Portugal Esc100; Qatar Qr10.00; S. Arabia Rls0.00; Singapore S\$1.00; Spain Ptas175; Sri Lanka Rs0.05; Sweden SKr0.10; Switzerland SF2.70; Taiwan NT\$0.01; Thailand Bht0.01; Turkey Lira0.01; UAE Dh0.00; USA \$1.00.

هكدام الأصيل

THE GULF WAR

EC prepares post-war plan for Middle East

By David Buchan in Brussels and Lionel Barber in Washington

THE European Community hopes to put forward a plan embracing peace, security and the economy in the Middle East to Arab and Israeli counterparts later this month, Mr Jacques Pöös, the Luxembourg president of the Community, said yesterday.

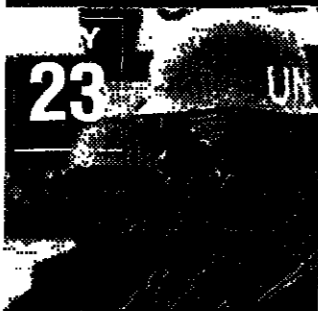
Foreign ministers of the 12 EC states will thrash out the proposals on February 19. But Mr Pöös said that Mr Yasser Arafat, leader of the Palestine Liberation Organisation had made "all official contacts" difficult because of his backing for President Saddam Hussein of Iraq.

The comments by Mr Pöös came in a French newspaper interview yesterday after political directors of the Twelve met on Thursday to consider European Commission proposals for a European initiative for the Middle East.

There were indications that the Community would be ready to co-operate with the US on American proposals revealed earlier this week for a new Gulf security system and regional economic reconstruction after the war, including the setting up of a development bank for the Middle East. Mr Pöös, the foreign minister of Luxembourg, which currently chairs EC discussions, has invited Mr James Baker, the US secretary of state, to Europe as soon as possible. The EC Commission said yesterday that Mr Baker's suggestion for a development bank could mesh in easily with Brussels' idea of drumming up another "Group of 24" collection of international aid donors, as has been done for eastern Europe.

US officials are waiting to

THE GULF WAR



study the European proposals in detail, but there is a trace of apprehension in Washington. This goes beyond gentle rivalry to whether the Europeans will pressure the US to "deliver Israel" to the bargaining table in post-war efforts to resolve the Palestinian question.

The Commission is also proposing EC economic aid with Iraq, and possibly with post-war Iraq, as well as normalising diplomatic relations with Libya and opening an EC office in Saudi Arabia - in addition to existing aid plans for the Maghreb states of northern Africa, the Gulf and Turkey.

But the Community's desire to help solve the Palestinian issue, highlighted again yesterday by Brussels giving a further Ecu7.5m (\$5m) aid to Palestinians in the Israeli-occupied territories, risks a clash with Washington which does not want the EC to start raising expectations here.

Mr Pöös reiterated the Community's long-standing position that the Palestinians have a right to self-determination. The EC has also long endorsed an international peace confer-

ence on the Palestinian issue. But an EC diplomat said this week the Community did not want "to trap itself into a single idea". He forecast that if an Israeli boycott rendered such a conference useless, the EC would be ready to back more narrowly focused diplomacy, favoured by the US and Israel in the past.

The US reconstruction plans outlined by Mr James Baker, US Secretary of State, include the creation of a multinational Middle East development bank, similar to the bank set up to help eastern European countries.

The Gulf states would take the lead in funding the new institution, one of whose aims would be to redress the enormous economic inequalities between oil-rich states such as Saudi Arabia and Kuwait and the poorer ones.

Separately, Congress is registering concern about whether the US would contribute to a multinational bank which in turn would fund countries such as Syria, still designated as a state sponsor of terrorism.

Jordan, hard hit by the UN embargo against Iraq, remains a problem because of its pro-Baghdad stance. Saudi Arabia refuses to contribute financial aid, while the US this week announced it was reviewing all of its economic aid because of an inflammatory speech by King Hussein which appeared to abandon Jordanian neutrality in the war. Yesterday, the White House said the king had clearly aligned his country with Iraq and accused him of aiding Iraqi attempts to inflame Arab opinion against the US.



A damaged Iraqi armoured personnel carrier is removed by Saudi troops with a forklift truck after last week's fighting at Khafji

US 'aim is control of oil reserves'

By John Lloyd in Moscow

THE US aim in the war against Iraq is to control the world's main oil reserves, allowing it to dominate its competitors in western Europe and Japan in the future, the Soviet Communist party newspaper Pravda said yesterday.

The newspaper, which now gives increasing space to hard line views, said leading Soviet figures were now calling for a reassessment of "the US pressure on the world community".

The comments, by Mr Vsevolod Ovchinnikov, are notable for the relatively reasoned tone of its opposition to allied policy, eschewing merely dogmatic denunciation. In particu-

lar, he seeks to represent the war's unstated aim as being that of gaining an edge on allies who have more successful economies.

He says: "I fear that this (the allied forces) might turn into a neo-colonial force with quite different aims - to gain a key position in the struggle for energy resources and thus to assist American monopolies to gain a dominant position in the world economy".

In a further article in the hard line daily Sovetskaya Rossiya, Major General Igor Yevsteyev criticised US attacks on Iraqi chemical plants, opposed the exchange of data on chemi-

cal warfare between the US and the Soviet Union and said that the only defensive route open to Iraq was missile strikes on the cities of the states which were part of the anti-Iraq coalition.

Mr Vitaly Churkin, the foreign ministry spokesman, called General Yevsteyev's comment on missile strikes "a provocation" - though he said he "shared his concern" on attacks on chemical plants on environmental grounds.

The commentaries reflect a strong current of opinion in the Communist party and the armed forces - though it is by no means a universal one. In

an interview with the Financial Times this week, Colonel Viktor Alkhalis, leader of the generally hard line "Union" group in the Soviet parliament and a strong critic of liberal reform indicated that he was not against the allied intervention.

A spokesman for the US embassy in Moscow said last night that "this is not an isolated example - other people have expressed it. It causes us some concern, but we are reassured that Foreign Minister (Alexander) Bessmertnykh has reaffirmed basic support for 12 UN resolutions on the Gulf".

Angry Jordanians unruffled by threatened loss of US aid

By Mark Nicholson in Amman

ANY pinch Jordan feels as a result of Washington's decision to review its economic assistance to the kingdom is unlikely to be felt politically than economically.

However, given the strength of anti-American feeling in the country, a sentiment which is souring daily, there would appear to be little more political damage the US could inflict.

Widespread fury at US air raids on Jordanian oil tankers in Iraq brought 3,000 demonstrators onto Amman's rainy streets yesterday. A rowdy auction of what was claimed to be a piece of a shot-down US aircraft took place in a Palestinian camp near Amman, and the funds sent to Iraq.

Western diplomats in Amman believe that King Hussein was prompted this week to make his most outspokenly pro-Iraqi speech of the crisis by the heightened feeling over the tanker raids - coming amid already deep Jordanian concern over levels of civilian casualties in Iraq.

Although few diplomats doubt the king's sincerity in voicing such strong feelings, which angered Washington, many add that he may cannily have sought to defuse the anti-western "street" pressures by venting some of it himself.

"It's like putting out an oil fire," said one diplomat. "To do that, you light another one above it."

The king and President Bush are known to enjoy a cordial personal relationship, and both have sought to keep lines of communication open throughout the crisis. But King Hussein must have shared the anger in Amman which greeted not only the attacks on tankers - upon which the kingdom depends for its oil - but also remarks by US officials that the tankers were "military targets" and were breaking the UN embargo.

Jordan was convinced both that the UN had made a tacit exception for the kingdom over its oil imports, and that the US was also turning a blind eye. Although US aid has tradi-

tionally gone mostly into grain import supports and military training programmes, Jordan is likely to be able to find replacement donors. Already, Japan and the EC have promised \$700m and \$200m respectively. Canada, Taiwan and some European countries are also promising aid for this year which would amount in total to the sum of likely US lending.

But given Jordan's economic plight, the loss of any aid donor is unelcome. "We're missing by the skin of our teeth just now," Mr Michel Marto, the Central Bank's deputy governor said this week. But the loss of US assistance for 1991, would be likely to amount to just less than \$100m, would by no means be catastrophic.

Jordan has traditionally depended on economic assistance to underwrite a very wise vulnerable economy built on transport, tourism, phosphate exports and remittances from Jordanians in the Gulf.

Bombs destroy Baghdad telecom building

US and allied aircraft knocked out a telecommunications building during overnight air raids on Baghdad, killing or wounding several people, eyewitnesses said yesterday, writes Maamoun Younssef, Reuters Correspondent in Baghdad.

The Adamiyah area around the telecommunications building is residential and many houses had their windows shattered. Pieces of aluminium that covered the structure of the building were scattered over an area of 500 metres.

With air strikes on Baghdad continuing on Thursday night and early yesterday, travellers from Jordan said the road had been attacked and a bridge was hit. They said six trucks were also hit and they reported seeing two of them still burning between the Iraqi border town of Rutba and Ramadi, 110 km

(70 miles) west of Baghdad. Iraq said it shot down one aircraft during 138 allied air raids on Thursday night.

"Attacks on residential targets in our country and other sectors...will not pass without punishment," Baghdad radio yesterday quoted a military spokesman as saying.

The radio report brought to 302 the number of aircraft or missiles Iraq says it has shot down since the war began on January 17. The allies say they have lost 31 aircraft, 22 of them from the US.

The spokesman said all Scud missile launchers returned to base after firing a "destructive strike at the capital of humiliated agents" of the US.

A group of international journalists left Baghdad for Amman after a week-long visit to Iraq. Another group was expected to arrive in Baghdad later yesterday.

Civilian casualties much higher, says Red Cross

By Neil Buckley

CIVILIAN casualties in Iraq are far higher than those announced by the Baghdad government, Dr Cornelio Sommaruga, president of the International Committee of the Red Cross, said yesterday.

He declined to give an exact figure, but said a Red Cross convoy was due to leave Baghdad today, carrying medical supplies and ICRC staff to treat civilian and military wounded in Iraq.

Eight Red Cross delegates are in Baghdad, monitoring the needs of civilians, as well as trying to gain access to allied prisoners.

Dr Sommaruga said repeated requests from the detained to visit POWs had been met with "neither a negative nor a positive answer" from the Iraqi government.

"I am very concerned that we have not been allowed to fulfil our mandate with respect to the prisoners," he said.

Under the terms of the third Geneva Convention, to which Iraq is a signatory, countries are obliged to notify the ICRC within a week that they have taken prisoners of war, and within a further two weeks of where they are being held.

Although three weeks have passed since the first allied POWs were taken, the ICRC had still not been officially informed, Dr Sommaruga said.

The ICRC president, who has been in London for talks with the British government, said he was extremely pleased with the support the government was giving to the Red Cross. He said Britain was to make a \$2.5m contribution to Red Cross work in the Gulf area.

dropping its bombs. "Now the choice is yours," said the slip of paper. "Accept the offer of the coalition forces to save your life." Hundreds of the leaflets fly across no man's land on the north wind.

The Iraqi border post bears the scars of an artillery bombardment in the war. One Iraqi shell punched a hole in the roof of the mosque and shattered its windows.

For the past three days, the Egyptians say, the allied air bombardment of the Iraqi front line has been particularly severe. The Iraqi deserters are frightened of the bombs and end of their own chemical weapons, (against which they are poorly protected) and unimpressed by President Saddam Hussein's claims to Kuwait territory, the Egyptian soldiers say.

The Egyptians themselves lie in wait in an abandoned flat, discussing the relative merits of their M-60 tanks and the Iraqi T-54s and showing a healthy respect for the abilities of the distant Iraqi Republican Guards.

Lieutenant Mohammed Mustafa, a psychiatrist who is headed for King's College, London after his three years' military service, is working in the army as a doctor.

"We're not training any more," he says. "Now we are waiting. Some people have phobias about the war, but I used religion to help them: we are fighting for justice and defending the holy places."

There is no grudge against the Iraqi people, only against President Saddam. "We are defending our borders and we are doing our best so that the day will come when we restore the freedom of Kuwait," said General Abdul-Aziz Alshamir, the Saudi second in command of the allied Arab forces, who paid a surprise visit to Iraq yesterday. "We are not here to kill people but if they kill us we call them the enemy."

Unequal comforts of the frontline

By Victor Mallet on the Saudi-Kuwait border

THIS is, for the time being at least, a most unequal war. From the Egyptian observation posts on the Saudi-Kuwait border you can hear the occasional thump of bombs raining down on the Iraqi army a few kilometres to the north, and see the occasional silver gleam of an American fighter-bomber in the sky.

But on the allied side of the line, Egyptian troops are taking into their Friday lunch enjoying the comfort that comes with air supremacy.

While allied pilots throttle Iraq's supply lines by hitting vehicles on the roads of Iraq and Kuwait, the logistical machine to feed and fuel the planned allied ground offensive proceeds unhindered.

Convoy after convoy of transporters and trucks carrying tanks, armoured cars, ammunition, fuel - and even makeshift shower cubicles for the troops - moves inexorably north. An ammunition truck has exploded and several transporters with broken axles lie discarded on the verge, but the convoys roll on a score of roads, guarded by the side of the road and raised barbed wire.

The Iraqis, too, seem to sense they are fighting a losing battle. Each night they slip across the lines in ones and twos and threes, evading their Iraqi sentries and their own minefields to emerge in daylight and surrender to the Egyptians.

Yesterday morning a deserter came across at the border town of Rafid, hungry and with stinking unwashed clothes. He arrived clutching an American B-57 showing an American B-57.

An oil slick forced Saudi Arabia to shut its first desalination plant yesterday. A report from Riyadh said the small plant at Safaniya, was closed before oil entered its intake valves.

The plant supplies water to employees of Saudi Aramco, the oil company, and is likely to reopen soon.

dropping its bombs. "Now the choice is yours," said the slip of paper. "Accept the offer of the coalition forces to save your life." Hundreds of the leaflets fly across no man's land on the north wind.

The Iraqi border post bears the scars of an artillery bombardment in the war. One Iraqi shell punched a hole in the roof of the mosque and shattered its windows.

For the past three days, the Egyptians say, the allied air bombardment of the Iraqi front line has been particularly severe. The Iraqi deserters are frightened of the bombs and end of their own chemical weapons, (against which they are poorly protected) and unimpressed by President Saddam Hussein's claims to Kuwait territory, the Egyptian soldiers say.

The Egyptians themselves lie in wait in an abandoned flat, discussing the relative merits of their M-60 tanks and the Iraqi T-54s and showing a healthy respect for the abilities of the distant Iraqi Republican Guards.

Lieutenant Mohammed Mustafa, a psychiatrist who is headed for King's College, London after his three years' military service, is working in the army as a doctor.

"We're not training any more," he says. "Now we are waiting. Some people have phobias about the war, but I used religion to help them: we are fighting for justice and defending the holy places."

There is no grudge against the Iraqi people, only against President Saddam. "We are defending our borders and we are doing our best so that the day will come when we restore the freedom of Kuwait," said General Abdul-Aziz Alshamir, the Saudi second in command of the allied Arab forces, who paid a surprise visit to Iraq yesterday. "We are not here to kill people but if they kill us we call them the enemy."

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Arabs attack Israeli troops

By Judy Maltz in Jerusalem

THREE Jordanians were killed by Israeli troops yesterday after attacking a busload of Israeli soldiers and wounding four of the passengers.

Mr Moshe Arens, the defence minister, said the attack was a further attempt by pro-Iraqi elements to prove their support for Mr Saddam Hussein. Israel has expressed considerable concern over Jordan's support for Iraq in the Gulf war.

The ambush took place at 7.30am, just 60 miles north of the Red Sea resort town of Eilat on the main road parallel to the Jordanian border. The infiltrators threw a hand grenade at the bus, which did not

explode, and then opened fire. It is the second infiltration attempt by Jordan since the start of the Gulf war, and the first in which Israelis were wounded. On January 30, two guerrillas crossed the border further north, near the West Bank. One was killed and the other escaped back across the border.

Israel's army chief of staff, Mr Dan Shomron, said in a radio interview. There is no doubt that the war in the Gulf has had an influence both in the north and in the east, and Jordan is changing before our eyes. "We are referring to recent Katyusha rocket attacks

aimed at Israel's self-declared security zone in south Lebanon. Mr Rehavam Ze'evi, the hawkish minister-without-portfolio appointed to the cabinet this week, yesterday warned Jordan not to interfere should Israel decide to retaliate against Iraq.

Mr Arens called on Jordan to step up its efforts to prevent future infiltration attempts. "This is all part of the tension in the area resulting from the Gulf war, and the desire of elements here and there to prove that they support Saddam Hussein and are trying to help him," he said.



Douglas Hurd: No easy solutions

Hurd visits Cairo for talks

By Max Rodenbeck in Cairo

BRITISH Foreign Secretary Douglas Hurd arrived in Cairo last night for talks with Egyptian leaders expected to focus on post-Gulf war security arrangements as well as plans for an allied ground offensive.

Mr Hurd met Mr Esmat Abdel-Maguid, the foreign minister. He is to travel to Riyadh today for meetings with Saudi and Kuwaiti leaders before returning to London via Rome.

Before leaving Baghdad for Amman after a week-long visit to Iraq. Another group was expected to arrive in Baghdad later yesterday.

East." But he warned that "it won't be at all easy or quick to achieve these things."

Egypt has been a key contributor to allied ground forces in the Gulf and hopes to play a major role in any post-war Arab security structure. To this end, it has strengthened ties with Syria and Saudi Arabia.

Firm in their will to liberate Kuwait, Egyptian officials have shown private dismay over the ferocity of allied bombing in Iraq. There is also concern in Cairo that western powers and wealthy Gulf states will fail to keep their promises once the war is won.

The British foreign secretary is also expected to meet allied commanders in Saudi Arabia, including Mr Richard Cheney, US defence secretary.

Mr Hurd formally broke off diplomatic relations with France yesterday, Reuters reports from Paris.

This was the first formal severing of ties since Baghdad Radio said on Wednesday that Baghdad would break relations with the US and its closest coalition allies.

Mr Abdul Razzak al-Hashimi Al-Hashimi, the Iraqi ambassador, said he would leave France at the end of next week.

Iraq's punishment stirs mixed emotions among exiles

Anti-Saddam Iraqis worry about the fate of relatives and fear for their country's future, writes Neil Buckley in London

A MURMUR of amusement greets the arrival on screen of Peter Snow, the BBC Newsnight presenter deploying plastic aircraft on a map of the northern Gulf. After showing pictures of mangled tanks and the bruised and bewildered faces of Iraqi prisoners at Khafji, the roomful of Iraqis find this image faintly absurd.

The air in the tiny north London council flat is thick with cigarette smoke and urgent debate in Arabic, as the television commentary is translated and dissected. On the low table lie the remains of a family meal: *dawajana*, stuffed aubergine; an omelette with mince; spicy home-pickled cauliflower.

Occasionally someone breaks into English. "What I don't understand," says one Iraqi with short-cropped black hair and a flattened, boxer's nose, "is that these guys are not the Republican Guard. Why did they fight so fiercely?"

Perhaps, he surmises, the allied bombardment has given them stomach for the fight.

The picture switches to a heap of overturned tanks. They are only BBC toys. But in the Gulf, real tanks are burning. Only the TV breaks the sudden silence as the Iraqi remembrance of the war in Iraq, not knowing whether they are alive or dead.

Fatin and Assad, the Iraqi couple who rent the flat, are like most of the estimated 100,000 Iraqi refugees living in the UK, fiercely anti-Saddam. They are also bound to Iraq by family ties. Fatin has an elder brother and sister in Baghdad; her husband has three brothers and four sisters in Basra.

In common with most Iraqis in the UK, they have compelling reasons to oppose Saddam. Both were forced to leave Iraq when they refused to submit to law number 200, which made membership of the Ba'ath Party compulsory in 1979.

Fatin's brother and several university friends from Baghdad were executed for belonging to a banned opposition student union.

In 1982, during a year spent in hiding in Kurdistan, Fatin watched Iraqi aircraft drop bombs along the streets of the village where she lived. She saw whole villages destroyed by flames as the Iraqi forces tried to flush out anti-government guerrillas. She saw 6,000 men from the region arrested and taken to Baghdad, and children swept away by the current as their families were forced to cross rivers on foot on their way to resettlement camps.

Her husband Assad worked for five years as a doctor among the Kurdish people. He lived with constant attack from the Iraqi forces, and the sure knowledge that if he were found he - and all his family - would be hanged.

The Iraqis talk of the atrocities committed by their government, of the execution of friends and relatives, with the resignation and near-impassivity of those who are used to an environment where such things are commonplace. But when talk turns to the war, their emotions are more visible.

For them Iraq is not a model on some TV pundit's table. Baghdad is

not some distant, half-imagined place peopled only by intrepid western TV reporters and Iraqi censors, where cruise missiles fly along the main street. It is their capital, where they are raised, studied, forged friendships.

"We have reports from Iran. They say all Iraq now is destroyed. Kirkuk, Fallujah, Basra - they are all destroyed. They have killed many thousands of people. Our people. Maybe my cousin, or my sister," Fatin's voice trembles.

Fatin and Assad and their Iraqi friends and relatives gathered around the TV get much of their information on the war from Iranian reports, which themselves often come via Kurdistan. Such reports now estimate Iraqi casualties at between 40,000 and 100,000.

"This war will take us back to 1930, you know. We'll have to start all over again," says a friend of Fatin. "We used to export electricity to Turkey, but now the hydroelectric station is destroyed."

Assad is more pessimistic: "This war will take us back 2,000 years."

Insight enables the Iraqis to put a different interpretation on reported events. For them, the main road linking Iraq to Jordan, on which a bridge was shown being pulverised by an allied missile, is not a military supply road, but an escape route that has carried thousands of Iraqis fleeing from Mr Saddam to freedom.

Fatin says she heard a report that the national security building in Baghdad had been bombed by the allies. The building, not far from where she studied engineering at Baghdad university, is not just the headquarters of the Ba'athist secret police, she says, but a prison where many opponents of Saddam Hussein are held.

The Iraqis do not dismiss completely the allies' claim that bombing is concentrated on military targets, but they point out that it was Mr Saddam's policy to build chemical and military installations in towns, surrounded by housing. They are convinced civilian casualties will have been high.

The Iraqis in this flat show sadness, but no personal animosity towards the British or Americans, no desire for revenge. Fatin and Assad say they are met with sympathy and understanding from most Britons they meet. But it is still confusing and more than a little frightening to live in a country which is effectively at war with their own.

The prospect of internment lurks at the back of their mind, but more real is the fear that the publicity surrounding the detention of a small number of Iraqis for national security reasons might convince some elements of British society that all Iraqis are dangerous.

"Sometimes when I walk in your city I am afraid that someone will attack me, because of 'national security'," Fatin says.

On one point all the Iraqis gathered in the flat are agreed: they will return to Iraq, but only if both Mr Saddam and the Ba'ath party are removed from power. The real fear is whether there will be anything left to go back to.

هكرام النجف

INTERNATIONAL NEWS

Tokyo candidates take off the gloves to slug it out for governorship

The ruling LDP's determination to get rid of Governor Suzuki has created an embarrassing split in the party, writes Robert Thomson

AFTER politely brutal preliminaries, four candidates were left standing last night in the campaign to be Tokyo's governor: a wrestler turned politician, a television personality, a communist promising to be "gentle like a sheep", and the 60-year-old incumbent.

Recent elections for the powerful post have been relatively harmonious, with the present governor, Mr Shunichi Suzuki, drawing support from most parties during his 12 years in office. This time, Japan's ruling Liberal Democratic Party (LDP) is backing two candidates and a split with the local branch has become a national embarrassment.

Voting is not until April, but the backroom bickering has continued for almost a year, and reached a peak this week with Governor Suzuki formally announcing that he will stand again. Then the televi-

sion host and the former wrestler entered the ring, the latter having been prompted by "a message from God".

In some ways, Governor Suzuki has been the country's most influential individual, as he has not been a captive of LDP factions, unlike most Japanese prime ministers. He rules over 12m residents, with several million more office workers commuting to the capital each day, and he has exercised immense power over the renovation of the city.

But the LDP leadership decided that the governor should stand aside for the television personality, Mr Hisanori Isomura, 61, who is preferred by opposition parties that the LDP is cultivating in the national parliament. LDP leaders have masked this motive by arguing that the governor, who appears remarkably vigorous, is simply too old and may wilt before the four-

year term ends.

Until this week, much of the backstabbing had been done in private, but the LDP has gone public with its frustration over Governor Suzuki and its displeasure with

the Japanese press has drawn attention to the wife of the building's architect, who has been dubbed "Imelda", as in Imelda Marcos of the Philippines, for her alleged influence on city politics.

He is seen as a touch eccentric, but is also regarded as a "man of action", a stark contrast to the public perception of the average Japanese politician.

Mr Inoki, who left Tokyo yesterday to visit the Pope said:

The photogenic former wrestler who left yesterday to visit the Pope said: 'Wherever there is confusion there is a role for me'

Tokyo branch officials who continue to support him.

Unflattering newspaper reports, apparently planted by the LDP, have hurt the governor, who has left himself open to criticism by commissioning multi-billion dollar projects seen as monuments to his reign.

His reputation for frugality was damaged by a scandal over the alleged sumptuousness of his bathroom in a new ¥145bn (\$566.4m) Tokyo government complex, while

But the governor remains popular for having brought the city back from bankruptcy, and the count will be close between him and Mr Isomura. The former wrestler, Mr Antonio Inoki, who went 15 rounds with Muhammad Ali in 1976, is also not to be taken lightly.

The jut-jawed Mr Inoki, leader of the Sports and Peace Party, is already a member of Japan's upper house, and won general acclaim for securing the release of Japanese hostages in Iraq.

day to visit Pope John Paul II and, perhaps, Iraq's Saddam Hussein, said that "wherever there is confusion, there is a role for me". However he has personal reasons for tackling Mr Isomura, having never forgiven the commentator for dismissing his contest with Ali as a farce. Inoki spent most of the bout on his back, fending off Ali with his feet.

"When I saw Isomura's face on television, I felt an anger, and then I decided to stand. If you look at

Isomura's face, you can see he is not a serious politician," Mr Inoki said.

The presence of the quotable, photogenic Mr Inoki has ensured that the coming weeks of the campaign will be a national event, and that the embarrassing LDP rift is highlighted for all to see. It will also put pressure on the ruling party's leaders to take public responsibility if their candidate fails.

Fame is also in Mr Isomura's corner, as he is known to most Japanese as "Mr NHK" for his high-profile work at the national broadcasting station. His face has become a symbol of Japan's embrace of "internationalism", a tag he wears proudly on the sleeve of a Pierre Cardin suit.

Mr Isomura has suggested that if he were not in television, he could earn a living with his French language skills. He has also written several volumes about life generally

in a series loosely translated as "A Touch of Sophistication".

He is personally close to LDP factional heads, and married into a corporate network that includes executives at Ajinomoto, Japan's largest food processor, and Showa Electric Wire, a wire and cable company in the Toshiba group.

"I used to think that I would like to remain a reporter all my life, but have now decided to run and will do my best. I want to create a beautiful, international Tokyo," Mr Isomura promised, with the prime minister, Mr Toshiro Kaifu, beside him. While the candidate conceded that Governor Suzuki's work has been "excellent" and that the campaign will be conducted "respectfully," the governor himself preferred to use fighting words.

"Now that these things have come to pass, I will face the fight in a scrum with the various organisations and people who support me."

Concern rises as US credit crunch worsens

By Michael Prowse in Washington

THE US "credit crunch" - the apparent unwillingness of banks to lend - is still worsening, according to the latest survey of bank lending practices by the Federal Reserve, the US central bank.

The Fed said a survey of senior loan officers in January indicated "a further overall tightening of business lending standards and terms in the last three months."

Concern that the unwillingness of banks to lend is exacerbating the recession has prompted a loosening of US monetary policy in recent months, culminating in last week's half point cut in the discount rate to 6 per cent.

The survey shows that about a third of domestic banks tightened credit standards for approving commercial and industrial loans in the final quarter of last year. But there are signs that the pace of credit tightening may be slackening - a previous survey carried out in the third quarter found that nearly 50 per cent of banks had imposed stricter terms on borrowers.

However, the pace of credit tightening appears to be still accelerating at the US branches of foreign banks. Nearly 90 per cent of branches in the final quarter of last year tightened loan terms and conditions in the fourth quarter,

compared with 70 per cent in the previous three months.

Loan officers at domestic banks cited deterioration in the general economic outlook and problems of particular industries as the most important reasons for the tightening.

Pressure on capital positions appeared a less significant factor, although some banks cited deterioration in the quality of their loan portfolio - a possible indicator of future erosion of shareholders' funds.

Regulatory pressures were also cited as a reason for tightening credit conditions.

Foreign banks raised said pressures on capital and the general economic climate were main reasons for tightening loan terms.

Many domestic banks said they raised the cost of business credit in the fourth quarter while simultaneously cutting the maximum size of credit lines.

More than a third also imposed tighter collateral requirements on loans.

The survey indicates many business borrowers turned away by one bank got credit elsewhere, including bond and commercial paper markets. But a number of small and medium-sized companies had to postpone borrowing and spending plans.



Two men narrowly save themselves from being swept away in floods which hit the Australian town of Inverell

S Korean shipyard hit by strike over pay

By John Ridding in Seoul

THOUSANDS of workers at Daewoo Shipbuilding and Heavy Machinery, South Korea's second largest shipyard, went on strike yesterday in support of demands for higher pay and better working conditions.

The strike comes amid fears that inflation and last year's relatively low wage settlements could prompt turbulent

wage bargaining in South Korea this year.

It is the latest in a series of disputes which have disrupted production at the shipyard since the mid-1980s.

A spokesman for the union, which represents about 10,000 of the company's 11,570 workers said the strike was prompted by failure to agree the level of bonuses, its opposi-

tion to the "no work, no pay" principle and introduction of family allowances.

The company said that it did not expect the strike to last long and that labour and management would continue negotiations until February 13, the day before the start of the lunar new year holidays.

About 50 radical workers occupied a 34-storey crane at

the shipyard, which is situated in Koje Island, off Korea's south-eastern coast, according to Yonhap, the South Korean news agency. Striking workers have also built barricades at several of the shipyard's entrances.

Daewoo Shipbuilding and Heavy Machinery is part of Daewoo Group, one of Korea's four largest conglomerates.

Australia fails to resolve mining row

By Kevin Brown in Sydney

THE future of mining near the Kakadu national park in Australia's Northern Territory remained unresolved yesterday after the release of an inconclusive interim report by the federal government's Resource Assessment Commission.

The report said a mine at Coronation Hill, in a conservation zone adjacent to the park, would have only a small environmental impact, but there were "uncertainties" which it might not be possible to resolve.

The government will decide later this year whether to allow mining, following a final report from the commission.

The future of Coronation Hill is widely seen as a test case of the influence of Australia's powerful Green movement over the federal Labor government, which it supported at the last general election.

The mining industry has fought hard to have the proposal approved, arguing that rejection would set the scene for other projects all over Australia to be blocked.

Mr Justice Stewart, chairman of the commission, said the mine would have a net benefit to the economy of about A\$82m (£32.8m) a year, which would marginally improve Australia's external debt problem.

However, the economic loss which would be caused by a ban on mining could be mitigated by developments elsewhere in Australia if the Coronation Hill ban was regarded

as a special case.

The report said the Jawoyn Aboriginal tribe, the traditional owners of the land, were opposed to mining, and that there appeared to be significant impediments to Aboriginal employment if the project proceeded.

The government is sensitive to the views of Aboriginal landowners, especially in cases such as Coronation Hill where there is evidence that the area has religious significance.

The mining industry says the tribe has changed its mind about the project several times, and claims it has not been given an opportunity to correct misleading information given to Aborigines by environmentalists.

The report was welcomed by the Wilderness Society and the Australian Conservation Foundation, two of the largest Green groups, and by pro-development spokesmen for the opposition Liberal Party and the mining council.

Mr John Quinn, managing director of Newmont Australia, the mining company which owns the Coronation Hill lease, said the report vindicated the company's claims that there were no environmental impediments to development of the mine.

The Wilderness Society said the report provided grounds for a mining ban, and claimed permission to mine would be a kick in the teeth for the cause of national reconciliation with Aboriginal people.

Banks face 25% rise in deposit insurance

By Peter Riddell, US Editor, in Washington

US BANKS are likely to have to pay at least 25 per cent more in the premiums they pay to the federal deposit insurance fund to help ensure its solvency in the face of a wave of bank losses.

The Federal Deposit Insurance Corporation is due to meet later this month to consider how to recapitalise the fund which is under severe pressure and could be totally depleted by the end of this year if the recession deepens.

Mr William Seidman, chairman of the FDIC, has said the size of the premium increase will depend on how much it decides needs to be borrowed and hence on what flow of income will be required to service any loans. The FDIC may need additional borrowing authority.

Premiums were raised at the

beginning of this year from 12 cents to 19.5 cents for each \$100 of deposits.

If the bank insurance fund needs to borrow \$10bn this might involve a premium increase of between 3.5 and 4 cents, but if, as is more likely, borrowings of \$15bn are required, then the rise may have to be 5 or 6 cents. This is the maximum which he believes the banks could reasonably handle.

Talks between the FDIC and the Treasury and the banking industry are aimed at reconciling the need to avoid a direct call on taxpayers and squeezing the banks excessively.

Mr Seidman has also made plain his opposition to several aspects of the Treasury's bank reform plan, notably the proposed shake-up of regulatory agencies.

Mexico's inflation rate edges down in January

By Damian Fraser in Mexico City

MEXICO'S consumer prices rose by 2.5 per cent in January, bringing the increase in the past 12 months to 27 per cent, down from 29.9 per cent for the whole of 1990.

The price increase is slightly down on December's rate of 3.3 per cent and is well below last January's increase of 4.8 per cent. January and December are traditionally high inflation months in Mexico, as prices tend to be adjusted at the end or beginning of the year.

This year's January rate was pushed up by increases in telephone charges.

The government has forecast that the inflation rate will fall to 14 per cent in 1991.

However, 1990's inflation rate turned out to be almost twice as high as the official forecast, partly thanks to the fall in the US dollar, to which the Mexican peso is linked. If the dollar continues to drop, this year's forecast is also likely to be off mark.

Somali president 'still controls country'

DEPOSED Somali president Mohamed Siad Barre, who fled the capital Mogadishu last month, still controls most of the country and is trying to rally support for peace talks, one of his ministers said yesterday, Reuter reports from Nairobi.

"The president retreated from Mogadishu and is now touring the regions. He's still legal president," said Mr Abdulrahman Jama Barre, a cousin of Siad Barre and dep-

uty prime minister in his ousted government.

Mr Jama Barre, who was also finance minister, said Mr Siad Barre was now in Bay region, about 240km south-west of Mogadishu, together with more than 15 ministers and other senior members of his government.

His claims that Siad Barre controlled most of the country appeared exaggerated.

Rebels of the United Somali Congress (USC) overran

Former governor in hospital

Sir John Kerr, the former Governor-General of Australia who dismissed the left-wing Whitlam Government in 1975, is being treated for a brain tumour in a Sydney hospital, Kevin Brown writes from Sydney. Sir John, 77, became Governor-General and head of state in 1974. He triggered Australia's most serious constitutional crisis when he responded to a parliamentary stalemate by dismissing the then Labor government headed by Mr Gough Whitlam. The dismissal opened the way for a general election which was won by the conservative opposition parties led by Mr Malcolm Fraser.

Cambodia fighting flares

The Phnom Penh government said yesterday it had counter-attacked against non-communist guerrillas on Cambodia's north-western fringes, destroying two tanks and killing scores of fighters, Reuter reports from Bangkok.

Mogadishu on January 27 after a month of fierce fighting and forced Mr Siad Barre, in power since a 1969 coup, to flee the city.

The USC, one of three main rebel groups which fought for several years to depose Siad Barre, has taken control of the city and appointed as interim president Ali Mahdi Mohamed, a Mogadishu businessman.

Mr Mahdi Mohamed last week appointed an interim cabinet, saying he planned to call

in all of Somalia's former opposition groups to form a broad-based administration.

The three rebel groups - the USC, the Somali National Movement and the Somali Patriotic Movement (SPM) - controlled much of the country before the USC began attacking Mogadishu in late December.

Factions of the USC and of other rebel groups abroad have protested over the appointment of Mahdi Mohamed.

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مكتبة الأصيل

INTERNATIONAL NEWS

Disclosure recommendations perturb officials

Confidentiality fears in EC anti-dumping case

By David Gardner in Brussels

IN what could be a landmark decision on EC anti-dumping legislation, the Advocate General of the European Court of Justice has recommended that duties imposed on a Saudi Arabian petrochemicals exporter should be withdrawn, and that the European Commission disclose confidential commercial information if this is required to guarantee the complainant a fair trial.

Judgment on the opinion will not be given for several weeks, but Commission officials accept that it will almost certainly go against them, and are concerned that it may as a result increase their disclosure obligations, along the lines of North American legal practice.

"If the judgment mentions this [confidential information requirement] in particular, we will have to take it into account, certainly," one Commission official said privately.

The complaint against the Commission and the European Council (of member states) was brought by the Al-Jubail Fertilizer Company (Sazad) and the Saudi Arabian Fertilizer Company (Safco), joint ventures set up by the Saudi Basic Industries Corporation. They are contesting the 40 per cent anti-dumping duty imposed by the council on imports of urea - a

nitrogen fertiliser and glue component - from Saudi Arabia in November 1987.

Much of the court hearing centred on a straightforward conflict of facts - over the Saudi companies' pricing and indeed whether they were even exporting to the EC - and arguments over the procedures followed, particularly with regard to the Commission's provision of information.

In his opinion, Mr Marco Darmon, the Advocate General, concluded that:

• the Commission had not "adequately taken into account" the principle established in EC case law that "it may not be necessary to disclose facts or elements which have not been disclosed to the parties concerned";

• that some of these elements appeared only in an unregistered letter to the complainants (and internal Commission documents), which may not therefore qualify as evidence.

Commission officials acknowledge they were sloppy in sending the letter via ordinary post, and say they have tightened up since.

• the Commission refused to disclose information on the "representative Community producer" and its costs, from which the duty was calculated.

and the Saudi companies had therefore not received a fair trial. "Inasmuch as the amount of the anti-dumping duty was fixed not by reference to the amount of the injury suffered by the Community industry, knowledge of that information was essential to the applicants for the defence of their interests," Mr Darmon said.

In a more general conclusion, he acknowledges the controversy and conflict between preserving confidentiality and ensuring a fair hearing. But he outlines US and Canadian procedures and their "possible transposition to Community law". Under North American practice, confidential information is usually disclosed to complainants' lawyers under a so-called "protective order system", whereas in the EC only the principles of how the duty was calculated are made available.

Though the Commission has slipped up before on disclosure requirements, notably in an anti-dumping case involving NTN Toyo Bearing of Japan in 1979, this is the first time that less than punctilious observance of procedure has brought with it the threat of radically more liberal disclosure rules.

ously undermined if they pursued competing plans to develop separate small jets.

The ministers' intervention will strengthen Mr Pierson's argument that the four companies should allow Airbus to develop a 130-seat version of its A-330 aircraft. This Airbus project would take precedence over separate aircraft being planned by British Aerospace and a group which includes Deutsche Airbus and Aerospaciale.

The row is one of the first tests of the power of Deutsche Airbus, which was created last year as part of a sweeping reorganisation of the German aerospace industry. The group, which is owned by Daimler-Benz, the industrial combine, wants to develop a regional jet as part of its strategy to become a leading force within the worldwide aerospace industry.

Mr Pierson said the forecast fall in orders had been prepared before the outbreak of the Gulf war. In the last two months of 1990 the group's order intake fell to nine a month.

If this rate was maintained in 1991 it would win only 108 orders this year.

Industry ministers from the four countries involved in the consortium - Germany, France, the UK and Spain - have stepped into the row by asking Airbus to clarify its plans at a meeting with the ministers scheduled for the Paris Air Show in June.

Mr Pierson has warned the four partners in the consortium - Deutsche Airbus, Aerospaciale of France, British Aerospace and Casa of Spain - that Airbus's credibility with its customers could be seri-

Airbus expects 50% fall in orders as air traffic dwindles

By Charles Leadbeater in Toulouse

AIRBUS Industrie, the European aircraft consortium, expects its order intake this year to be less than half the volume of 1990, as airlines reduce orders in response to rising costs and falling traffic volumes.

Mr Jean Pierson, Airbus's managing director, said that after winning 404 orders last year, the consortium expected to win 170 orders this year. Despite the fall in orders, Airbus's deliveries are projected to rise sharply from 85 in 1990 to 170 this year.

The fall in orders comes as the cohesion of the consortium is threatened by a row over competing plans to develop small regional jets.

Industry ministers from the four countries involved in the consortium - Germany, France, the UK and Spain - have stepped into the row by asking Airbus to clarify its plans at a meeting with the ministers scheduled for the Paris Air Show in June.

Mr Pierson has warned the four partners in the consortium - Deutsche Airbus, Aerospaciale of France, British Aerospace and Casa of Spain - that Airbus's credibility with its customers could be seri-

ously undermined if they pursued competing plans to develop separate small jets.

The ministers' intervention will strengthen Mr Pierson's argument that the four companies should allow Airbus to develop a 130-seat version of its A-330 aircraft. This Airbus project would take precedence over separate aircraft being planned by British Aerospace and a group which includes Deutsche Airbus and Aerospaciale.

The row is one of the first tests of the power of Deutsche Airbus, which was created last year as part of a sweeping reorganisation of the German aerospace industry. The group, which is owned by Daimler-Benz, the industrial combine, wants to develop a regional jet as part of its strategy to become a leading force within the worldwide aerospace industry.

Mr Pierson said the forecast fall in orders had been prepared before the outbreak of the Gulf war. In the last two months of 1990 the group's order intake fell to nine a month.

If this rate was maintained in 1991 it would win only 108 orders this year.

Rio revels, but Carnival feels the pinch

Economic woes cannot be entirely forgotten this year, writes Christina Lamb

THE doom and gloom of war in the Gulf and yet another economic crisis at home will be drowned out in Brazil for the next four days by the pounding beat of a thousand samba drums. The country will give itself over to the hedonistic task of enjoying Carnival, "the biggest party on earth".

"This is Brazil's most important contribution to the world - its factory of happiness," says Mr Joazinho Trinta, one of Carnival's most flamboyant stars.

"We may have high inflation, social problems, children killed on our streets, but we have soul and a people without soul are a people without hope."

These are brave words amidst the country's fifth and most severe austerity package in as many years.

Brazil's economic woes cannot be totally forgotten in the wine, music and song which Carnival traditionally revolves around. This year the country's major tourist attraction is expected to make a loss for the first time in its history.

Tourism has dropped an estimated 50 per cent over the last two years, foreigners deterred by Rio's reputation for

violence and crime. The fall in international air travel caused by fear of terrorist attacks sparked by the Gulf crisis was the final nail in the coffin.

In Rio, the economic survival of which greatly depends on tourism, there are only 20,000 tourists in town this year, 60 per cent of them from abroad. Hotels such as the Copacabana Palace, the Rio Palace and the Caesar Park still have empty rooms despite the special packages they have been advertising.

Domestically the worst recession for a decade has put a damper on the "spend, spend, spend" attitude which usually is the main feature of this last fling before Lent. Many large companies and multinationals hit by an 8.6 per cent drop in industrial activity have cancelled the boxes they traditionally reserve in the specially built futuristic sambadrome through which the Carnival parade passes.

According to Mr Trajano Ribeiro, president of Ritor which organises Carnival, this year losses are possible. Last year it made \$2m profit. He explained: "We have seen successive economic plans. Businesses are in difficulties. A business which usually takes

40 boxes this year will take 20. Many groups of foreign tourists have cancelled."

With unemployment beginning to rise, Brazil's working classes, for whom Carnival is the yearly highlight, are reluctant this year to fork out money for "fantasies", the exotic costumes of glitter and feathers required to participate in Carnival parades.

In fact, Carnival - which originated in the streets and the rhythms of which are based on those of Brazil's African slaves in the last century - has in recent years become very much a middle class activity.

But this year even the middle classes, who usually think nothing of spending \$100 on a fantasia or \$40 or more for tickets to the numerous carnival balls, are holding back. This is partly because many have money frozen amongst the \$35bn still held by the government of President Fernando Collor after a draconian assets squeeze last year.

The 16 main samba schools, which have been taking more than 50,000 participants through their steps for the two-day parade, have been holding auctions and benefit concerts in a desperate attempt to raise money to help

finance their groups as they too still have blocked much of the finances they generally receive from the heads of the city's illegal gambling game.

Even Carnival songs reflect the situation. One about history repeating itself talks of a President elected in the year 3889 who on taking office wipes out all 3889 who hope with a single karate chop, then criticises President Collor's liberalisation policies, claiming the country's integrity is being contaminated by imports.

But come tomorrow night, as the first drums near the sambadrome, such thoughts will be put aside. Worries over shortages on shop shelves caused by the new price freeze will be drowned in sugar cane liquor available in excess.

Petrol workers voted to delay a nationwide strike to "first enjoy Carnival". The Collor government may take a brief respite from mounting criticism. The only reminder of the faraway war will be the large number of Saddam missiles, this year's most popular buy.

For the majority with no cruzeiros to spare, Carnival will once more go back to the streets, where music and dancing at least are free.

Brundtland warning on EC membership in Europe debate

By Karen Fossil in Oslo

MRS Gro Harlem Brundtland, Norway's prime minister, yesterday warned that Norway would be forced to take a stand on membership in the European Community if the Storting (parliament) rejected the 18-nation European Economic Area (EEA) agreement currently being negotiated.

Mrs Brundtland gave her warning on Thursday night at a closed gathering of leaders in Norway's business and industry community, but was leaked to the state-owned radio.

A recent poll in a national newspaper indicated a three-way split on the EEA between those in favour, those opposed and those with no opinion, but this is not believed to be indicative of Storting sentiment, which has yet to be polled.

The EEA treaty, which covers the free movement of goods, services, capital and people and eliminates trade barriers by creating equal rules for competition, is meant to be signed in May, but some of its features will require a three-quarters-majority backing by the Storting.

Discussions are under way in the EC and EFTA, calling for EFTA to form a body or mechanism similar to the EC's committee of government ministers and enforce laws within the EEA. This would mean that some of the decision-making power on national issues held by the Storting would be turned over to the multi-national EFTA surveillance body. It is this aspect of the EEA

which is raising hackles in the Storting.

The broad political sentiment in Norway about the EEA has become more important again, just three months after the minority Labour party came to power. It led to the demise of the previous three-party, centre-right coalition government, which was accused of secrecy about the negotiations.

To avoid the same fate and to help gather support, Mrs Brundtland has mounted an intense information campaign about the status of negotiations around Norway.

Recently, a group of 12 professors said Norway would be better served by abandoning the EEA in favour of negotiating its free trade agreement with the Community.

Mrs Eldrid Nordboe, minister of trade and shipping, argues that allegations by the Community of Norwegian dumping of light metals and fish prove that the free-trade agreement does not effectively defend Norway's export industry against the EC's use of anti-dumping measures.

About 70 per cent of Norway's exports go to the EC and 20 per cent more to EFTA.

Mrs Anne Lohne, leader of the tiny anti-EC Centre party, yesterday accused Mrs Brundtland of threatening EC membership in order to gain support of the EEA treaty. In 1972 a referendum on membership narrowly kept Norway out of the EC.

Sweden considers timing of application

By Robert Taylor in Stockholm

SWEDEN is considering whether to apply for membership of the European Community before or after the year 2000.

The ruling Social Democrats have not yet made a firm decision to do so but many in the government believe it would make tactical sense to make such a direct approach to Brussels by mid-June at the latest, before the Swedish parliament goes into its summer recess and in the run-up to the country's general election on 15 September.

The four main political parties now favour Swedish membership of the EC as long as it can be achieved without a change in the country's neutrality in foreign and defence policy. Last October the government first expressed its intention for an eventual EC application but

the impetus to do so has increased since then.

Mr Ingvar Carlsson, prime minister, would like to thwart opponents who have said they will make a membership bid in the autumn if they win the election. An early application would also help the EC as a campaign issue.

Negotiations between the EC and the European Free Trade Association, in which Sweden is a prominent member, have reached a milestone stage on the proposed creation of a European Economic Area but Sweden hopes there will be a breakthrough by April, enabling it to go ahead with an EC application. The EEA would come into force on January 1 1993 and be a transition stage for full EC membership for Sweden.

Norwegians win most Oslo oil licences

By Karen Fossil

NORWAY yesterday offered 14 of 22 offshore oil and gas exploration licences to Statoil, Norsk Hydro and Saga Petroleum, three domestic oil companies, with the remaining eight licences on offer to the Norwegian units of six foreign oil companies.

The 13th licensing round, announced last year, offered a total of 52 blocks in the North Sea, off mid-Norway in the Norwegian Sea and the Barents Sea.

However, some blocks received multiple bids and others none, resulting in the offer of 22 licences covering 36 blocks or part-blocks.

Domestic, the Norwegian unit of Veba, the German company, was the only oil company offered a licence for the first time, but the offers were made to the highest concentration of Norwegian companies in the country's 25-year oil and gas exploration history.

Industry and government sources suggested that because Statoil is seeking to acquire a 5 per cent stake in Veritas Petroleum (VNG), the east German gas supplier and pipeline operator, it may have been advantageous to offer Deminor a licence.

Distinctly absent from the list of companies offered licences were the two Norwegian units of Paris-based Elf Aquitaine and Total-CFP.

Statoil was offered six licences, Norsk Hydro five and Saga Petroleum three. Of the six foreign oil companies, the Norwegian units of Exxon and Shell were the only ones to be offered two licences each. British Petroleum, Conoco, Mobil and Deminor were all offered one licence each.

The ministry did not give details of the blocks offered, but it said that the oil companies had until February 20 to accept.



President Jean-Bertrand Aristide waves to supporters outside the Haitian senate building after his inauguration on Thursday. Mr Aristide's campaign platform was to cleanse the nation of the corruption, violence and poverty which has plagued Haiti for most of the past 200 years.

'Money move cut Rbs40bn'

By John Lloyd

THE Soviet government's efforts last month to cut the huge heap of excess cash in circulation in the economy by issuing 50 and 100 rouble notes has succeeded in pulling in some Roubles 40bn from a total of Rbs48.2bn of these notes in circulation at the beginning of the year - according to the State Bank.

At the same time, however, Dr Leonid Abalkin, the former deputy prime minister and leading economist, has forecast that cash incomes will exceed the budgeted target this year by at least the same amount - Rbs40bn.

The monetary reform was aimed at cutting the estimated Rbs130bn in circulation by at least 20 per cent, or Rbs 26bn. The move, announced more than two weeks ago, caused widespread panic, and many who sought to exchange their high denomination notes for those of lower value were unable to do so, or to convince

the authorities that they had been earned legally.

Mr Valentin Pavlov, the Soviet prime minister and former finance minister, has called for measures to be taken to ensure that the high-value cash blocked in the banks does not "find its way back to dishonest people".

Dr Abalkin's warning of a further uncontrolled printing of money comes in an article in the weekly paper *Argumenty i Fakty*, in which he also forecasts that industrial production will fall this year by Rbs22bn, or 1.5 per cent. National income will decrease by the same proportion, a total of Rbs15bn. Within that fall, however, there will be a further marked shift from heavy industrial production - the sector is forecast to decline by 4 per cent - while output of consumer goods is forecast to grow by 4 per cent.

The former deputy prime minister - who for 18 months

sought to preserve a middle way between conservative and radical plans - says that investment in the economy as a whole will decline by 15.5 per cent, and industrial investment by 28.7 per cent.

Dr Abalkin says "there is no economic solution for the existing problems". Instead, he advocates a political package aimed at stemming the crisis, with suspension of a number of laws and a ban on strikes.

He calls for the formation of a government of national unity "composed of people enjoying the unconditional trust of the people", which could carry through unpopular measures, in particular the cessation of further growth in income.

He says the present crisis is pushing the country towards a strong-arm government. This would be a "response to the persistent requests of the masses, and a dictator would appear in the role of a saviour."

Lithuanians fighting back with ballot boxes

By Leyla Boulton in Vilnius

ONE month after Soviet paratroops stormed the Vilnius television tower, Lithuanians are fighting back with ballot boxes.

Today, the defiant Baltic nation goes to polling stations to answer one question - "Do you want a democratic, independent Lithuania?"

The result of what is described here as a nationwide "opinion poll" will no doubt be a resounding "yes". Its aim is to display public support for the Lithuanian parliament's declaration of independence nearly a year ago, and to bolster the republic's campaign to break with Moscow.

Particular efforts are being made to persuade the republic's 20 per cent minority of non-Lithuanians to express their view and to counter Soviet propaganda which claims that they are oppressed.

But following the decree by Soviet President Mikhail Gorbachev denouncing the poll as "juridically inconsistent", the Communist party and the army have stepped up pressure for people to stay at home.

The Soviet Army's Baltic Command has announced that it will begin 10 days of manoeuvres on February 10, the day votes will be counted in Lithuania's referendum.

Leaflets dropped by army helicopters in recent days over the town of Kaunas warn people that a yes vote will mean "death" for Lithuania. The leaflets are signed by a "USSR Citizens' Committee" which has come to the fore since a mysterious National Salvation Committee was discredited by Soviet army violence last month.

Soviet troops killed 13 unarmed civilians when they seized the republic's

main television and radio stations on January 13. The buildings are still occupied, along with others including the central newspaper publishing house.

In factories across the republic, Communist party activists have been frightened non-Lithuanian workers with tales of how they will lose their pensions if Lithuania becomes independent.

The Soviet government wants Lithuania to take part in an all-union referendum on March 17 instead. This will ask voters across the Soviet Union whether they want to be part of a "renewed union of sovereign socialist republics". But the Lithuanian government has already said it will refuse to hold the referendum, describing it as "interference by a foreign state".

Setting aside the brave rhetoric, it fears that the referendum would lock it

into Soviet secession legislation. This requires a five-year transition period and final approval by a two-thirds majority in the Soviet parliament before a republic can leave the Soviet Union.

Mr Valery Ivanov, co-chairman of the Yedinstvo (Unity) organisation which is campaigning to keep Lithuania Soviet, says there may be attempts to go ahead with next month's referendum anyway. But Mr Ivanov also expressed anger at Mr Gorbachev for not taking firm measures to bring the rebel republic under control.

"We consider that we live without a president, without a president who would defend the interests of old. He is not carrying out his duty, which is to defend the Soviet constitution. The Lithuanians aren't happy with him either, but who is?"

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UK NEWS

Lockheed set to take control of Luton airport

By Michael Cassell, Business Correspondent

LOCKHEED CORPORATION, the US aeronautical group, is set to acquire a controlling interest in Luton International airport in Bedfordshire, where it plans to implement a modernisation programme thought likely to cost up to £50m over the next 15 years.

The general purposes committee of Luton borough council is recommending the council accept a £25m offer from Lockheed Air Terminal (UK), a Lockheed subsidiary, to purchase around 80.1 per cent of the airport. The balance of the equity, valued at £7.2m, will be retained by the council.

Lockheed's offer is £2m more than its original bid, though the figure is thought to be considerably lower than the council's original expectations. The proposed deal is expected to be endorsed by the full council later this month as the basis for exclusive negotiations with Lockheed.

The council believes the airport requires an initial £50m expansion and modernisation programme, though up to £150m may ultimately be needed. The government did not give the council permission to raise the necessary funds, following advice from County NatWest in March last year it decided to sell its majority shareholding in the airport. By November four bids had

been submitted and two were chosen for final consideration. Lockheed made a presentation of its proposals to the council on Thursday, shortly after the last-minute withdrawal of Luton and District Transport, the only other remaining potential purchaser of the airport.

The purchase of Luton, which handles 3m passengers a year, will represent a major boost for Lockheed's ambitions to expand its international airport development and management activities. The company is currently also joint contractor with John Laing on the construction of a £70m terminal for British Airways at Birmingham airport.

A statement from Lockheed last night said it intended to develop Luton into a major port serving London and the region. It expects the deal to be concluded by early April.

Lockheed is likely to consider building a new passenger terminal, control tower and parallel taxi-way which would enable the complex to handle around 5m passengers a year. However, the company said it wanted to consider the implications of Ryanair's recent decision to switch many of its services from Luton to Stansted. Nevertheless, Lockheed said it did "not contemplate failing" in its bid.

Midland puts charge on its credit cards

By David Barchard

MIDLAND BANK yesterday bowed to growing pressure from the market and introduced a £10 charge on its Access and Visa credit cards in a move aimed at reviving the profitability of its cards operations.

To compensate for the charge, Midland has cut its rate to borrowers from 2.55 per cent a month (annual rate 32.1 per cent) to 2 per cent a month (annual rate 28.5 per cent).

The move comes as nearly all banks struggle to make a profit on their credit card operations. The 1990 year-end results of the four largest clearers due to be announced in the next few weeks are expected show losses by several of the largest credit card issuers.

Banks are under pressure as income dwindles on both sides of their credit card business. Retailers have forced the commission to be cut to 1.5 per cent on card transactions down from 2.1 per cent two years ago to an average of 1.65 per cent, while over 40 per cent of all credit cardholders pay their accounts in full each month, avoiding interest charges.

Lloyds and Barclays introduced credit card charges early last year. Each lost well over 500,000 customers by doing so,

but they claim to have enhanced the profitability of their credit card operations.

National Westminster is now the only one of the big four clearing banks not charging for credit cards. There is widespread expectation in the industry that it is only a matter of time until it follows the others. Yesterday NatWest said it was reviewing credit card charges and could not rule out a change, though such a move was not close at hand.

Another large bank, TSB, which has an annual interest rate of 31.8 per cent on its cards, said it had no plans to introduce charges.

Unlike Barclays Bank, which offered customers incentives to pay an annual charge, including a package of additional cardholder benefits, including free insurance, similar to those provided by American Express, there are no plans to introduce a credit card fee proposal.

Midland now faces several weeks in which its credit card customers close their credit card accounts. The bank has set up a "hotline" telephone line for cardholders on 0702 435280, which will operate from Monday. The annual change will be included on statements from April 10.

Bombing may not lead to new police powers

By Jimmy Burns

INCREASED police protection of politicians and new parking controls near government buildings will almost certainly form part of a major security review under way following Thursday's IRA mortar attack in Whitehall, officials indicated last night.

However the government is resisting calls for more sweeping measures, including streamlining security agencies and giving police more stringent emergency powers for dealing with terrorism.

"No new legislation is planned. The police have significant powers under existing temporary provisions to deal with the threat of terrorism," the Home Office said.

Earlier Scotland Yard's Anti-Terrorist Squad tried to head off suggestions that a major

security lapse was behind the IRA attack.

Officials said the transit van from which the mortars were fired at Downing Street had been "abandoned for less than two minutes" and not, as claimed in the House of Commons by Mr. Merlyn Rees, the former Labour home secretary, parked for nearly eight minutes prior to the attack.

Security sources in Dublin yesterday said that two known IRA active service units had the necessary expertise for the attack but that a number of IRA terrorist suspects who should have been under surveillance had in fact been untraced for several months. Sources also said the mortars had been constructed in Britain, rather than smuggled in from Ireland.

Warning brings a new twist to the Fimbra problem

Richard Waters on the implications if the self-regulator for independent financial intermediaries folds

THE financial stability of the Financial Intermediaries, Managers and Brokers Regulatory Association (Fimbra), the self-regulatory organisation for independent financial advisers, has been doubtful since the body came into existence after the 1986 Financial Services Act.

But then, there have also been question marks over the financial stability of many of its members and a lingering belief in many parts of the investment world that independent advisers would inevitably be sucked in to becoming sales agents for particular life assurance companies.

So the news this week that Sir Gordon Downey, Fimbra's chairman, had written to Mr John Redwood, the corporate affairs minister, warning of the very real possibility that Fimbra could become insolvent came as little surprise. What it has done is to give a new twist to the problem, and placed it firmly on the desks of Mr Redwood and Sir David Walker, chairman of the Securities and Investments Board (SIB).

Both have on many occasions expressed their commitment to keep-

ing a healthy band of independent financial advisers in the UK, rather than leave consumers in the hands of salespeople linked to the life companies and the unit trust groups responsible for mass market investment products. They are now being put on the spot. If Fimbra goes under, many members will be forced to do a life company or close down. Consumers will be the losers. The threat to them is that some find themselves outside the scope of the investors' Compensation Scheme, which pays up to £48,000 per claim, if they lose money because an investment firm goes bust.

Fimbra has attacked the current scheme, financed largely by contributions from each self-regulatory organisation's (SRO) members. For instance, if a Fimbra member goes bust, other Fimbra members pay the compensation.

This arrangement, says Fimbra, is unfair if the losses relate in part to actions which took place before August 1988, when the scheme started. Members have to accept unlimited liability for misdeeds committed at a time when many

investment firms were actually regulated by the DTI. Fimbra now questions the legality of this compensation scheme and, taking a "can't pay, won't pay" stance, is trying to escape the liability.

This does not necessarily leave investors unprotected. The SIB, which runs the compensation scheme, could try to mount an industry-wide bail-out of Fimbra. Or the DTI, mindful of its own part in regulation before the Financial Services Act, may feel moved to contribute, although this is unlikely. Given the initial resistance to paying compensation to Barlow Clowes investors, it seems unlikely that ministers would dip willingly into the public purse.

Fimbra has made efforts to get on a firmer footing. It yesterday announced completion of a programme of job cuts which reduced staff from 150 to 100, cutting around £1m a year out of its £10m costs.

Protection for investors will not suffer, says Mr Godfrey Jilling, chief executive. The cuts resulted from a reorganisation to reduce administration staff, he says, and reflect a new

approach to checking up on members. This involves shorter, more searching spot checks to identify possible problems such as fraud, rather than long and exhaustive exercises to check compliance with detailed rules.

In the longer term, however, Fimbra believes it has no future as an independent regulator. It has been bailed out twice before by life assurance companies and currently has a financial deficit of £2.5m.

Only a full merger with two other SROs - Laimo, which oversees the marketing of life assurance and unit trusts, and Imro, responsible for investment managers - could underpin its finances. Neither jumps at the idea - or at the idea of an industry bail-out. And the SIB's Sir David has been reluctant in the past to direct the SROs, preferring to leave self-regulation to take its course. But Fimbra says the time for talking is past.

A merger of the three SROs in the retail investment industry, should it occur, would echo the coming merger of the two SROs which oversee the

wholesale investment markets - TSA and AFB.

It would also bring to a head three important questions:

- How should compensation be paid in future? Fimbra favours a levy on all investment products, rather than contributions from individual advisers or salespeople, to spread the cost of compensation across all investors.
- What future is there for the principle that investment firms are either independent advisers or salespeople but never a mix of the two? The SIB is aware that this principle is likely to come under pressure from Europe, as non-UK life companies looking for sales outlets in the UK discover that most outlets have already been tied to life companies.
- What information should people be given about the commissions on investment products they buy? The DTI said last year it wanted more information made available to the consumer. The SIB says it agrees, but that to move to full disclosure too fast would wipe out the independent advisory sector once and for all.

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Snow line: a commuter makes tracks for the office yesterday across the rails at London's Waterloo Station

Labour outlines main campaign issues

By Ivo Dawmay, Political Correspondent

LABOUR yesterday outlined the main campaign issues to be targeted by parliamentary and local council candidates, following evidence from the party's private opinion polls that its greatest area of concern.

Substantially fewer - 70 per cent - identified poll tax as a major concern. The NHS and education were highlighted by 81 per cent and 75 per cent respectively.

Some 78 per cent agreed with the statement that interest rates should be lowered immediately, while 58 per cent of the weighted sample agreed with the statement: "Labour cares about people like me."

The poll, conducted by an unnamed professional agency, has been well received by the party leadership which has taken it to confirm that Labour's current slogan, "A

Better Way For Britain", is on target.

It follows a Gallup poll, published yesterday, showing Labour a narrow half percentage point ahead of the Tories at 42.5 per cent.

However, the poll findings have also highlighted the need for the party to step up projection of a positive message and "practical, realisable" policies. The polls also suggested that the party should do further work on projecting its economic team, particularly Mr John Smith, the shadow chancellor, and Mr Gordon Brown, at trade and industry.

A party official said: "The key message of the research is going the wrong way." The results were revealed as Labour outlined a charter for local government aimed at

reversing what it described as the creeping central control established over the years by the Conservative government.

In a sustained attack on the Tories' record, Mr Bryan Gould, shadow environment secretary, put the top priority as replacing the poll tax with a "fair and practical alternative".

He also undertook to restore the business rate to the control of local authorities, establish annual local elections, reform the local authority grant system and relax curbs on authorities spending their own capital receipts.

Among other measures being considered by Labour are the possibility of paying some local councillors, ending compulsory competitive tendering by councils and steps to allow authorities to intervene in their local economy.

Levitt case delayed by bad weather

By Raymond Hughes, Law Courts Correspondent

NEITHER Mr Roger Levitt, founder of the collapsed Levitt financial services group, nor his lawyers turned up at Bow Street magistrates' court yesterday, when Mr Levitt had been due to make his second appearance on £665,000 theft charges.

Sir David Hopkin, the chief metropolitan magistrate, was told the court had received a letter from Mr Levitt's solicitor saying that, because of the weather, he had advised his client not to attend court.

"It seems rather high-handed," commented Sir David. He asked Mr Fred Corford, for the Serious Fraud Office, to telephone Mr Levitt's lawyers and ask why they had instructed him not to attend without the court's authority.

"Perhaps they would like to come and explain that to me, today," Sir David said.

Mr Corford returned with apologies and disclaimers from the lawyers of any intended discourtesy. It appeared that Mr Levitt, who lives in Highgate, had had to abandon his car in London the previous night.

Also, one of the lawyers had been told that the police investigating officer was in the country and had difficulties getting in, Mr Corford added.

"I still think it's discourteous," Sir David said. If a case had been remanded someone, the defendant or a lawyer, must attend, unless attendance had been excused by the court, he said.

Mr Corford said the prosecution had to make substantial further inquiries and would be seeking a two- to three-month adjournment.

"This is a major investigation involving very substantial sums of money."

However, Mr Levitt's lawyers wanted a short adjournment because there were matters they wished to raise with the court.

Sir David adjourned the case until Thursday when, he said, Mr Levitt must attend.

NEWS IN BRIEF

Rolls-Royce workforce cut by 230

THE Rolls-Royce car company yesterday announced a further reduction of 230 in its workforce. The Crewe-based company, which announced the loss of 340 jobs last month, said it hopes the job losses can be achieved by natural wastage and voluntary redundancies.

The luxury car market has been particularly badly hit by the new car sales slump. January 1991 sales of Rolls-Royces and Bentleys fell by more than half compared with January last year.

Figures yesterday from the Society of Motor Manufacturers and Traders showed that total January 1991 UK new car sales fell 20.8 per cent on the January 1990 figure.

Tobacco aid ended

BRITAIN is to rule out aid to all new development aid projects that support the tobacco sector, it was announced yesterday, writes Ivo Dawmay.

Mrs Lynda Chalker, the overseas development administration minister, said that the decision had come in spite of recognition that the crop was an important source of revenue in many developing countries.

Replying to a written Commons question, Mrs Chalker said there was increasing evidence that the health risks associated with tobacco place increasing burdens on already inadequate health budgets in the countries concerned.

Order against LPT

A High Court judge yesterday made a compulsory winding-up order against the Land and Property Trust Co after refusing its application for an administration order.

Mr Justice Harman made the order on the petition of John Lelliott Management, creditor for about £5.6m. He said he considered it was likely to achieve the making of a voluntary arrangement with the aim of bringing about a more advantageous realisation of LPT's assets than through a winding-up.

Lewis's contracts

THE receivers at Lewis's, the collapsed department store chain, have said that they will honour customer contracts entered into before the company went into administration.

Customers who paid deposits will receive their goods although they cannot reclaim their money.

Unit trust queries

THE Unit Trust Ombudsman, whose office is being disbanded because it did not have enough work, received 100 inquiries in 1990, its second and final year of existence.

Mr Adrian Parsons, the Ombudsman, resolved 35 disputes and has left five outstanding.

Mortgage rate rise

ALLIANCE & Leicester, the fourth largest UK building society, yesterday put its mortgage rate up from 14.35 per cent to 14.5 per cent, putting it in line with most other societies. The increase follows a similar move a week ago by Cheltenham & Gloucester.

OFT call on cartels

LOCAL authorities were yesterday asked by the Office of Fair Trading for help in identifying cartels in their areas.

Sir Gordon Borrie, OFT director-general, said the vigilance of councils in detecting the illegal operations was vital.

Charities appeal to the law as well as the pocket

Many feel tough rules are vital for public confidence, finds Alan Pike

THE charity Barnardo's this week celebrated its 125th anniversary with a £2.5m appeal to further its work among young people.

But senior Barnardo's directors, like many other officials of Britain's charities, are concerned that government inaction on changes to charity law is making fund-raising more difficult. They believe legislation to tighten the financial administration of charities is vital if public confidence is to be stimulated.

In 1988, following the Woodfield inquiry, the government promised to introduce legislation during the current parliament. To the dismay of the organisations, no charities bill has been included in this year's parliamentary timetable.

Implementation of a number of the Woodfield recommendations - particularly those involving reform of the Charity Commission - has been possible without legal changes.

Legislation is required, however, to ensure that charities have adequate accounting standards and financial administration.

In 1988 the Institute of Chartered Accountants, working with leading charity finance directors, produced recommendations for keeping and auditing charity accounts.

"The recommendations do not have the force of law and in my experience they have

made precious little impact so far," says Mr Keith Manley, Barnardo's finance director. "There is a huge pool of ignorance. Some medium-sized charities, quite apart from the small ones, have not even heard of the recommendations."

Most of the largest charities have standards of financial management comparable with those in the private sector, but finance directors such as Mr Manley fear that the image of the whole voluntary sector suffers from the activities of organisations which do not meet such standards.

"The Charity Commissioners have made considerable strides

within their existing powers to strengthen their own organisations. But then, the charities which have not submitted accounts to the commissioners for five or six years, if ever, and this must affect the overall public view of the sector," he said.

In addition to requiring all charities to maintain and submit accounts regularly, Mr Manley believes that other priorities for legislation should widen the commissioners' powers to investigate possible abuses. He also believes they should encourage greater efficiency by promoting mergers, release charities

may no longer be functioning," the Home Office admitted in its annual report this week.

The commission has sent questionnaires to a sample of 30,000 charities in an effort to assess its existing data. During this year it will write to half the 170,000 charities as it begins the task of updating the register, and a commission report on proposed means of monitoring charities in the future is due in the spring.

Charity directors say the difficulties of monitoring and control cannot be resolved without the awaited legislation, and that it will be possible to know which of the 170,000 registered charities are fully functioning only when they are legally compelled to submit adequate accounts each year.



Alison Halford: answered allegations yesterday

Halford to face one-woman tribunal

MISS Alison Halford, an assistant chief constable with the Merseyside police, is to face a one-woman disciplinary tribunal.

The police authority's senior officers' disciplinary committee decided yesterday she must answer charges before Miss Sheila Cameron, QC.

The decision was made after Miss Halford, 50, spent 45 minutes responding to allegations against her stemming from an incident at the home of a businessman in July last year.

An independent firm of solicitors will now draw up charges

to be put to her to at the tribunal.

Police authority clerk David Henshaw said no date had been set for the hearing.

Miss Halford was suspended on full pay in December after an investigation by the Deputy Chief Constable of Sussex, Tony Leonard.

She also faces allegations believed to relate to answers to questions put to her after a report of the incident in a Sunday newspaper.

The police authority also announced "further consideration" of charges brought by

Miss Halford against her Chief Constable, James Sharples, whom she has reported for failing to investigate the source of the newspaper story and for the alleged leaking of her Spanish holiday home address.

Miss Halford has also brought an industrial tribunal case against Mr Sharples, the Home Secretary, the Northamptonshire Police Authority and North-West Inspector of Constabulary, Sir Philip Myers, alleging that sexual discrimination blocked her promotion to deputy chief constable.

UK NEWS

Second big City fraud trial starts next week

The charge arises from an unsuccessful £837m rights issue by Blue Arrow, writes Raymond Hughes

TWO OF the City's leading investment banking groups are at the centre of the latest fraud trial due to begin in London on Monday.

County NatWest, its parent NatWest Investment Bank, and UBS Phillips & Drew Securities, together with seven individuals, are accused of conspiring to defraud share dealers by misleading the market.

The charge arises from an unsuccessful £837m rights issue by Blue Arrow, the employment agency, in August 1987 to finance the purchase of Manpower, a US employment agency.

A failure led to CNW and Phillips & Drew being left with a substantial proportion of the shares.

It is the second of the three big City fraud prosecutions of recent years - the others are Guinness and Barlow Clowes - to come before a jury and is likely to be the longest and the most expensive.

It is thought likely to last up to eight months, with some lawyers doubting if it will end much before next year. Last year the Guinness trial ran from February to August - 107 days, of which 93 were before the jury - and cost about £5m, excluding the costs of the pre-trial hearings at the crown court and the magistrates' court.

The individuals in the dock will be: Mr Jonathan Cohen, deputy chief executive of NWIB and chief executive of CNW until his resignation in February 1988; Mr Stephen Clark, group finance director of CNW; Mr David Reed, former executive director and managing director of corporate finance at CNW; Mr Nicholas Wells, former CNW executive director and a member of the corporate advisory department; Mr Alan Keat, a partner in City firm of solicitors Travers Smith Braithwaite, who advised CNW on the rights issue; Mr Martin Gibbs, former director of UBS Phillips & Drew; and Mr Christopher Stainforth, former director of UBS Phillips & Drew corporate finance.

The single charge against the 10 defendants is that between September 27, 1987, and December 30, 1987, they conspired with four others "to defraud such persons who had or might have had an interest in acquiring, disposing of, sub-



CHRISTOPHER STAINFORTH was director of UBS Phillips & Drew corporate finance, and with Mr Reed, Mr Wells and Mr Gibbs, was one of the four corporate financiers in charge of working out the mechanics of the rights issue. He resigned in July 1988 following the criticism in the Department of Trade and Industry report. Like several of the other defendants, he is a chartered accountant by profession.



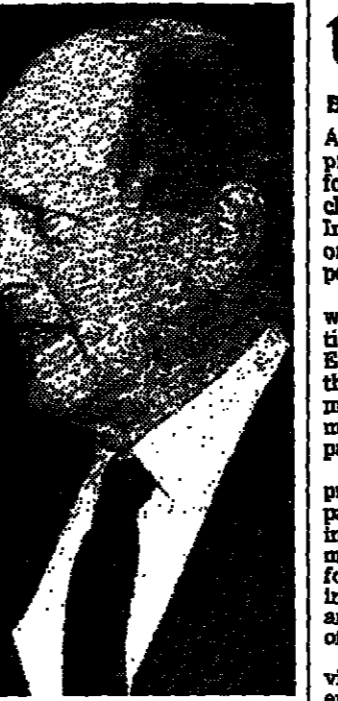
JONATHAN COHEN, 47, was chief executive of County NatWest at the time of the Blue Arrow deal, but moved on to Charterhouse, Royal Bank of Scotland's merchant banking arm, in February 1988, as vice chairman. He resigned that post in August 1988, after the DTI's report, but said the report had exonerated him. Mr Cohen studied law at Queen's College, Cambridge before joining Price Waterhouse in 1987.



NICHOLAS WELLS was the corporate financier at County NatWest who organised the rights issue. He went into merchant banking after reading economics at Cambridge and three years' training as an accountant with PricewaterhouseCoopers. He moved to corporate finance at Lazard in 1979, arriving at County in 1982. He moved on to Barclays De Zoete Wedd, but resigned in July 1988 after the DTI report.



DAVID REED, 43, was managing director of corporate finance at County at the time of the Blue Arrow deal, and resigned in July 1988 following criticism in the DTI report. Mr Reed reported to him on the rights issue. Mr Reed went straight into accountancy, with Whitley Murray, after school at St Edward's, Oxford, and worked in PricewaterhouseCoopers' Sydney office. He became managing director of County in 1987.



MARTIN GIBBS, 61, was director of UBS Phillips & Drew at the time of the rights issue, and retired at the age of 60 in 1988. He and Christopher Stainforth organised Phillips & Drew's side of the rights issue. He began at Phillips & Drew in 1959 after three years in accountancy with PricewaterhouseCoopers. He was educated at Stowe and Cambridge, where he read engineering and economics.

scribing for, sub-underwriting or otherwise dealing in shares of Blue Arrow by dishonestly misleading the market".

The indictment continues with 19 paragraphs of specific allegations.

The four alleged co-conspirators, whose trial will follow, probably early next year, are: Mr Charles Villiers, former chief executive of NatWest Investment Bank, CNW's parent, and chairman of CNW at the time of the rights issue; Ms Elizabeth Brimelow, formerly executive director of CNW and its compliance officer at the time of the rights issue; Mr Timothy Brown, director and head of sales in the equities division of Phillips & Drew; and Mr Paul Smallwood, director of the UK equity division of UBS Phillips & Drew.

THE other two defendants (not pictured) are Mr STEPHEN CLARK, 42, who was County NatWest's director responsible for credit risk evaluation and administration at the time of the rights issue, and Mr ALAN KEAT, 48, who is still a partner in the City legal firm of Travers Smith Braithwaite, which he joined in 1965. Mr Keat, a solicitor educated at Charterhouse and Merton College, Oxford, was drawn into the affair because he advised

The failure of the Blue Arrow rights issue gave rise to an investigation by Department of Trade and Industry inspectors. On November 9, 1988, four months after the inspectors' report, the 11 individual defendants were arrested and charged by the Serious Fraud Office and the City of London police fraud squad.

The following day the 11 made their first court appearance before Guildhall magistrates in the City of London and were remanded on £100,000 bail each.

The case was subsequently transferred to the Old Bailey under the procedure - first used in the Guinness case - by which serious fraud cases can go directly to the crown

County NatWest on the rights issue. He made his reputation in the field of corporate finance, and has been a non-executive director of Beazer. Mr Clark is the only defendant still employed by County NatWest, although he has been suspended on full pay since November 1988 when he was charged. He is a career banker, who joined the Westminster Bank straight from school in 1965, becoming a director in August 1986.

court without the usual committal hearing before magistrates.

Last December, Mr Justice McKinnon decided to split the trial in two, on the ground that one long, complex trial involving 14 defendants would be unmanageable for a jury. Both trials will take place in one of the specially-constructed Chichester Rents

Arrears funding system likely to hit trainers

By Lisa Wood, Labour Staff

A NEW system of funding for providers of training could force many organisations to close, according to Community Industry, one of the largest organisations training young people and unemployed adults.

Community Industry, along with other voluntary organisations, is pressing Training and Enterprise Councils (TECs) and the government to continue to make advance payments or to modify the proposed arrears

payments to organisations providing training used to be paid in advance by the Training Agency. Now the government pays TECs - responsible for training programmes, including Youth Training - in arrears and TECs pay providers of training.

The government has provided special loans for TECs to enable them to pay selected providers in advance. These loans have to be paid back, generally over six months.

Few TECs have offered this provision. Some have taken the funds from the government and have held on to the cash

balances. TECs, which are private commercial organisations, say one reason for not offering the facility more generally is because they are liable to be taken over by the government for repayment should a training provider default.

Mr Patrick Bell, deputy managing director of Community Industry, said: "Government should recognise that it cannot reverse a system of advance payment as quickly as this."

Mr Bell said the move to arrears posed a severe cash-flow problem. For example, he said that if Community Industry was paid four weeks in arrears, as proposed, and a TEC took three weeks to turn round the payment, his organisation would have to borrow £2.6m to tide it over.

The government's move to output related funding, with trainers paid 25 per cent of funding for the attainment of qualifications, will exacerbate the situation, said Mr Bell. A proportion of the money paid in arrears will be held back until the trainee completes the course.

Insurance pay deals outpace inflation

By Diane Summers, Labour Staff

INSURANCE company pay settlements are outpacing inflation in spite of low offers in the banking sector, according to trade union negotiators.

Three Scottish life companies have reached settlements of more than 10 per cent back-dated to January 1 following negotiations with MSF, the general technical union.

Britannia Life is giving about 450 staff a basic increase of 10 per cent which, together with merit payments, will be worth between 13 per cent and 16 per cent. In addition, a 5 per cent bonus has been paid through a unit trust.

Scottish Mutual has agreed an 11 per cent increase for 600 staff plus a 2 per cent bonus in return for scrapping a 15-minute tea break.

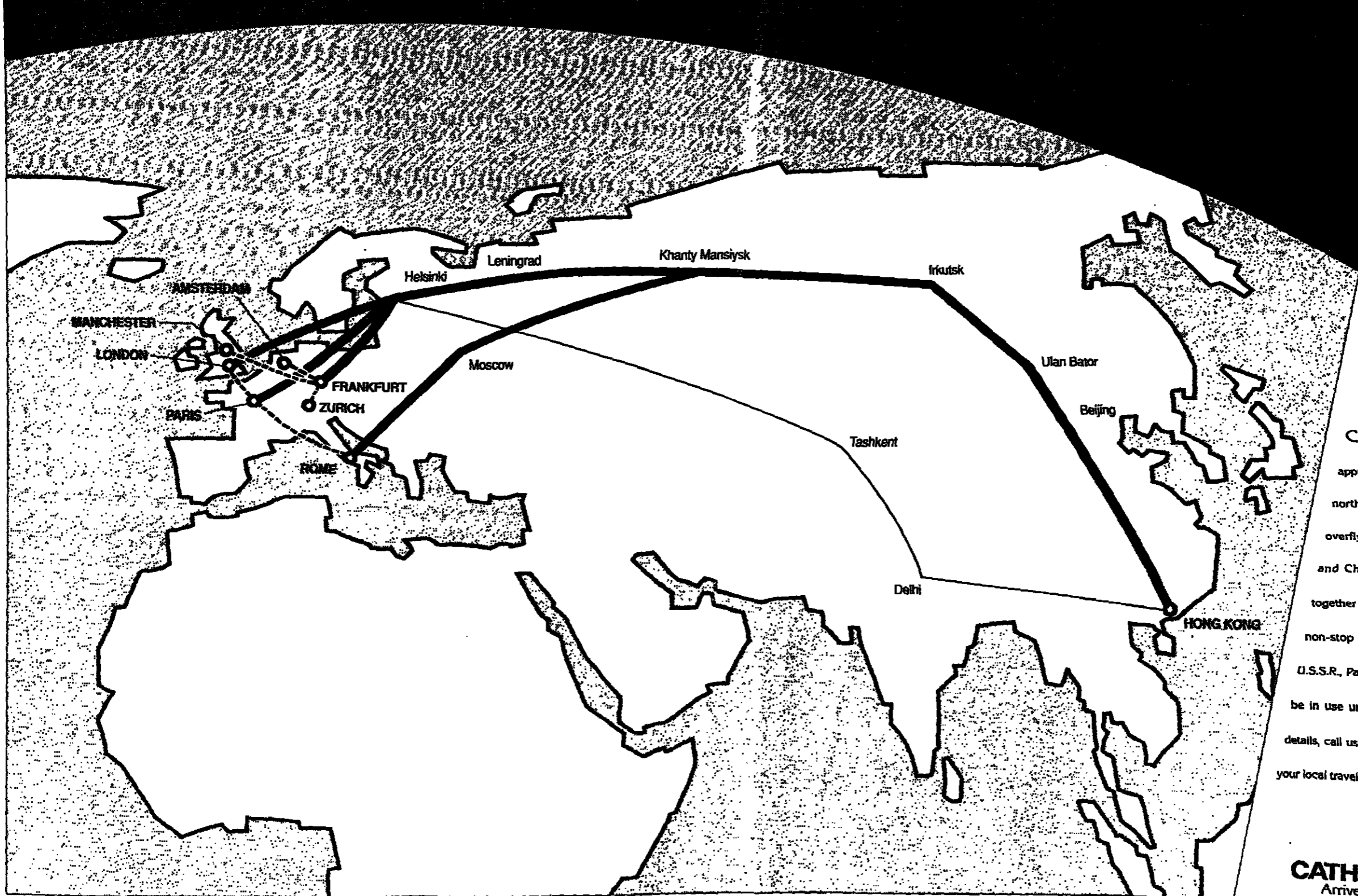
Scottish Provident is giving 500 staff an increase of 10 per cent.

Mr Tony Whiteley, MSF national officer, said the settlements merely restored members' living standards. "They will, however, signal to insurance workers that the insurance industry is not following the 7 per cent to 8 per cent range of offers in the banks."

Barclays Bank last week strengthened its firm stance on pay rises for its non-manual staff when it refused to increase an offer of 7 per cent.

It is still likely that any deal below inflation-level at Barclays will influence pay talks at the larger financial services companies and, in particular, on negotiations at the other three large clearing banks.

CATHAY PACIFIC ANNOUNCE A NEW NON-STOP NORTHERN FLIGHT PATH BETWEEN EUROPE AND HONG KONG.



Cathay Pacific have obtained approval to use a new non-stop northern routing to Hong Kong overflying the U.S.S.R., Mongolia and China. This new flight path, together with an alternative existing non-stop routing, which overflies the U.S.S.R., Pakistan, India, and Burma, will be in use until further notice. For more details, call us on 071-930 7878 or contact your local travel agent.

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Legal & General warning adds to sector gloom

By Richard Lepper

THERE WAS further gloom for the UK general insurance sector yesterday with Legal & General, the UK life and general insurer, reporting that its 1990 results could be worse than the market is expecting.

Mr Joe Palmer, chief executive, said the 1990 results would reflect a "deterioration" in general insurance during the second half of 1990.

Analysts reduced their profit forecasts for L&G by about £20m. Mr Alan Richards of James Capel, for example, now expects the group to record pre-tax profits of £70m.

Overall, pre-tax losses recorded by L&G's general insurance business grew to between £35m and £40m in the second half of 1990, compared with £20m in the first half, according to analysts.

Since L&G's property account was hit by heavy claims from last January's storms, the underlying deterioration in general business throughout the rest of the year was particularly serious.

According to Mr Richards, "the underlying UK account has been catastrophic".

L&G has been notified of subsidence claims amounting to £45m and is to establish an additional reserve of £12m.

The group is also to increase its reserves against losses stemming from its book of

mortgage guarantee business, adding an extra £5m. In addition, L&G suffered a big increase in claims on its book of commercial business, particularly in the liability and business interruption area, leading to a loss for the year of £7m.

Claims provisions for other long-tail liability business will be strengthened by about £5m.

Last month Guardian Royal Exchange, the fifth biggest composite insurer (by premium income) reported that it was making provisions of between £50m and £70m against claims on its liability business reflecting heavier claims on motor third party liability, public liability and employers' liability business.

When GRE announces its results at the end of March, analysts now expect a pre-tax loss between £120m and £140m. It has also emerged that other insurers have suffered from heavier-than-expected fire claims during the last quarter of 1990.

According to James Capel, Bank of America is now anticipating a pre-tax loss of £100m. General Accident, £100m, Guardian Royal Exchange, £134m, and Sun Alliance, £158m. Commercial Union is expected to record a pre-tax profit of £18m compared with £150.5m in 1989. See Lex

Courts delay hearing over Polly Peck administrators

By John Murray Brown in Ankara

ADMINISTRATORS appointed to Polly Peck International, the UK-based fruit and electronics group, will have to wait a further 30 days before they can gain access to the premises of the group's Cypriot subsidiaries.

A court in Nicosia and one in Famagusta yesterday adjourned until March 1 the hearing when they will consider lifting three separate injunctions brought against the three administrators.

These prevent Mr Richard Stone, Mr Michael Jordan and Mr Christopher Morris from entering the Famagusta freeport premises or removing the directors of either Sunnet, the citrus exporter, or Unipac Packaging, Polly Peck's cardboard box manufacturer.

Mr Mentes Aziz, the plaintiff and the lawyer of Mr Asil Nadir, chairman of Polly Peck, said the adjournment followed the late presentation on Thursday of a 25-page affidavit by Mr Orhan Bilgehan, the administrators' lawyer.

The Cyprus businesses, which are owned by Polly Peck through Voyager, an intermediate company, will be sold to Mr Aziz. He has been leading contributors to Polly Peck's reported profits.

The interim orders follow earlier moves by the administrators to remove Mr Fahri Tunali, chairman of the Voyager board, in that way gaining access to the Cyprus companies.

Noble Raredon selling Elite after £2.7m losses

By Clay Harris

NOBLE RAREDON, the company run by Mrs Bilge Nevzat, Mr Asil Nadir's younger sister, has decided that selling Elite Optics, its UK overhead projector business, is the only way to avoid the fate of his Polly Peck International.

Noble reported a £2.7m pre-tax loss on turnover of £15.42m for the year to October 31.

It also restated the £48,000 profit reported for the previous 17-month period to £1.22m, a loss on turnover of £11.58m. In a change of accounting policy, Noble has decided not to defer start-up costs, but to write them off immediately.

Noble's shares were suspended at 26p on October 18, when two of its banks, Midland and Dresdner, reduced or withdrew banking facilities during the death throes of Polly Peck.

Mrs Nevzat said yesterday she hoped to apply for a re-listing in April. At suspension, Noble was valued at £5m.

The projector company was the only activity of Gnome Photographic Products, as the company was called when Mrs Nevzat and her husband, Mr Fahim Nevzat, took control in 1988.

Elite is likely to be sold to a management team led by Mr David Heaton, who has resigned as Noble's finance director in one of three departures from the board announced yesterday.

The disposal of Elite, the closure of Noble's trading division and the indefinite deferral of a planned cardboard carton factory in Poland will leave the company with two holiday villages, one in Turkey and one in northern Cyprus, served by its car operations in the UK and Germany.

Mrs Nevzat said the company was also considering an offer for the Turkish property. The loss per share was 12.4p, against a restated 6.5p loss.



Bilge Nevzat: hoping for re-listing in April

There is no final dividend (0.1p) leaving the total for the year at an unchanged 0.1p. There were exceptional write-offs of £15m.

Mrs Nevzat said head office costs had been cut by two thirds in the past year, and Noble plans to move from 73 South Audley Street to smaller and less expensive premises.

The Mayfair address gave its name to South Audley Management, the private Nadir family company raised by the Serious Fraud Office during its investigation of Polly Peck.

Mr Arseven Gumush, a former South Audley director, has resigned as corporate development director at Noble, joining Mr Heaton and Mr Nevzat in leaving the board.

Mrs Terry Casner-Rees, managing director of Noble Hotels, has been appointed director. Noble said it had been turned in recent months by Mr Charles Verrall, former chief financial officer for UK banking at Midland, and subsequently finance director at Westland Group, the helicopter manufacturer. He is now finance director of Tern.

DIVIDENDS ANNOUNCED

| | Current payment | Date of payment | Corresponding dividend | Total for year | Total last year |
|---------------|-----------------|-----------------|------------------------|----------------|-----------------|
| Elbief | 0.181 | Apr 6 | 0.181 | 0.1 | 0.1 |
| Noble Raredon | nil | nil | 0.1 | 0.1 | 0.1 |
| Sandell Group | 1.25 | Apr 3 | 2.38 | 2.15 | 3.18 |
| Willshire | nil | nil | 0.3 | 0.3 | 0.867 |

Dividends shown pence per share net except where otherwise stated. "Equivalent" after allowing for scrip issues. *On capital increased by rights and/or acquisition issues. \$USM stock. †18 months.

Obstacle to bid by Thames removed ● Thorn again chops and changes ● Upside and downside for BET

The rapids are past, the waterfall's ahead

Securely owned, Thames could now win its franchise, but will it? By Alice Rawsthorn

IT COULD almost have been one of those scenes from Minder, Thames' own comedy series, where Arthur Daley, the clumsy common, is poised to clinch a deal, only to realise that his partners have pulled out and the deal is on the rocks.

If you cast Thames as the hapless Arthur and Thorn EMI and BET as his procrastinating partners, then the Minder scene starts to look very like the recent saga over Thorn and BET's 56 per cent shareholding in Thames.

The holding has been up for sale for nearly a year. But the combination of a sluggish stock market, an advertising recession and the problems of Thorn's recent US acquisition, has deterred all the would-be buyers.

The timing could scarcely

have been worse for Thames. It had to defend the uncertainty over the future of the holding if it was to retain its licence in the ITV auctions this spring.

Yesterday Thorn stepped into the breach by offering to buy BET's stake for an initial £34.5m. The arrival of Thorn, one of the UK's biggest industrial groups, will, Thames hopes, convince the Independent Television Commission that the contractor's ownership is now secure. The critical question for Thames, Thorn and their shareholders is whether this supposition is correct.

The ITV franchise auction looks like a high stakes poker game. The ITV is expected to award the licence next week. The would-be franchise holders will then have three months in which to submit

their bids.

All the applicants have to pass the ITC's "quality threshold" by demonstrating that they are capable of providing programming of suitable quality for the 10 years of the licence. The ownership and financial resources of the applicants will bear upon this. Having sifted out the suitable applicants, the ITC will then award the licence to the highest bidder.

The uncertainty over the future of the Thorn/BET stake would, at the very least, have been a serious impediment to Thames' chances of passing the quality threshold. The consensus among analysts is that Thorn's offer has probably resolved this problem.

Thorn has expressed a long-term commitment to Thames which will be very

helpful," says Ms Jane Anscombe, television analyst at Barclays de Zoete Wedd.

"But it does not make a material difference to Thames' chances of keeping its licence. Thames could still be out-bid in the auction."

The Thames franchise - for weekday television on Channel 3 in the London region - is the largest and potentially most lucrative in the ITV network. As a result, it is expected to attract the highest price - anything from £150m upwards.

It remains to be seen just how formidable the competition for the Thames licence will be. As Ms Brown Madrox, television analyst at Kleinwort Greaveson, says: "Thorn's offer has improved the chances of keeping the franchise. But Thames is certainly not home and dry."

Mr Nigel Walmesley, managing director of Capital Radio and a senior figure in broadcasting, as the head of Carlton's franchise application was clearly calculated to boost the company's chances of passing the ITC's quality threshold.

Other would-be ITV investors - such as Virgin, M&A and Polygram - are also thought to be interested in the London weekday licence. But they may be deterred by the risk of being out-bid by Carlton, or by Thames itself.

It remains to be seen just how formidable the competition for the Thames licence will be. As Ms Brown Madrox, television analyst at Kleinwort Greaveson, says: "Thorn's offer has improved the chances of keeping the franchise. But Thames is certainly not home and dry."

BET cracks curate's egg of a deal

By David Owen

FROM BET's perspective, there was an upside and a downside to yesterday's Thames deal.

The upside was the £34.5m initial cash injection which will knock about five percentage points off the business service group's high level of gearing and should ensure that borrowings at the March 31 year-end will be below £500m.

The downside was the 250p-per-share price. This was described as "diver" by one analyst, even allowing for the possibility of deferred considerations worth up to a further 50p per share.

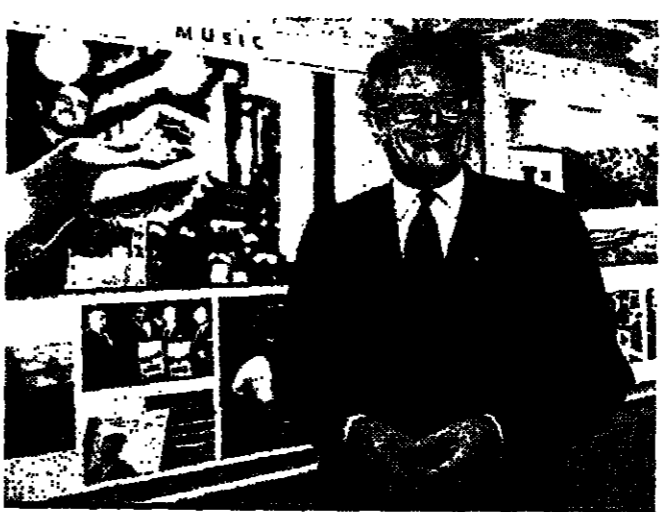
Thames shares stood at 476p when BET and Thorn EMI put their combined 56 per cent stake up for sale last March. Since then, the advertising recession has combined with uncertainties arising from the upcoming round of franchise applications to take the shine off them.

Mr Nicholas Wills, BET chief executive, yesterday described the terms as "very satisfactory" in the light of "the current changeable conditions for the independent TV sector."

BET shares closed down 1p at 114p - a gain of 14p on the week. Last Friday, unfounded rumours that the group was about to engineer a capital reconstruction sent the shares plunging to 67p before they rallied to close down 35p on the day.

Delays in the planned disposal of non-core businesses have been a feature of BET's recent problems.

In December, it did sell Anglian Windows, its double glazing subsidiary, but at a price lower than was originally hoped for. A month earlier, it had taken Boulton & Paul, a joinery business, off the market having received no acceptable offers.



Colin Southgate: abroad, but not afraid to face the music

A Thorn in the side of those who expect consistency

By Michael Skapinker

LAST MONTH Mr Colin Southgate, Thorn EMI's chairman, became a director of the Bank of England. If his new duties mean he has to adopt a stolid style, nobody has yet told him about it.

Buying a majority stake in Thames Television after previously saying it wanted to sell its interest has become standard Thorn practice.

Some see the music, rentals, electronics and light fittings group as an incorrigibly inconsistent company. Its officers insist that it is flexible enough to adapt to changed circumstances.

Mr Southgate was out of the country yesterday. But a spokesman stoutly denied that the chairman of the group which holds the copyright to Will You Love Me Tomorrow? and thousands of other songs was afraid to face the music. It was just that press speculation

had forced Thorn to announce the Thames deal sooner than it had planned.

The spokesman added that Thorn had not changed its mind about the desirability of selling its stake in Thames.

"We didn't get a satisfactory offer, so we thought the best thing for our shareholders - although this may be inconsistent with what we said earlier - was to extend our stake," the spokesman said.

"We are not seeking to buy out the minority. We want Thames to remain a quoted company."

"I think it would be sensible for our shareholders, if, in the long run, a couple of years down the line, we reduced our share."

"Our basic strategy is the same, although to a certain extent you chop and change."

chopping and changing might occur. The company said it wanted to get out of defence electronics, but then stayed with the business when it could not find a buyer.

In 1988, Mr Southgate said Thorn was set to become a world leader in lighting. Last year, he announced that there was no prospect of the group becoming the world lighting leader, and that the business would be sold to GTE of the US.

When that deal fell through, Mr Southgate said Thorn would make a go of lighting. But later in the year, he announced that part of the lighting business would be sold to General Electric of the US.

"Lighting was a change of strategy, that was true," the spokesman said. "We were out of our depth in lighting. If you make a mistake, you ought to exit."

Clarke Hooper shares fall on profits warning

By Alice Rawsthorn

Clarke Hooper, the sales promotion company, yesterday became the latest casualty of the recession in the marketing services industry when it issued a profits warning.

The company said that pre-tax profits for the current financial year to April 30 would be below the £4.1m made last year. Clarke Hooper's shares fell by 14p to 62p on the announcement.

Mr Barry Clarke, chairman, said the recession had forced some clients, particularly in the UK, to cut budgets. This had produced a "difficult third quarter" although there were some signs of improvement in the fourth quarter which had been bolstered by new business wins.

Clarke Hooper has cut costs by £2m a year, mainly by shedding staff in the UK where it has lost 28 people from a workforce of 160. The US businesses, said Mr Clarke, had been less badly affected.

He said that the cost cutting should help to improve Clarke Hooper's performance in the 1991/92 financial year. He stressed that the group was still "financially strong", trading well within its banking arrangements and able to meet all commitments.

The board has not yet decided on the dividend policy for this year.

JFB expands into US market

By Michio Nakamoto

JOHNSON & FIRTH Brown, the Sheffield-based metals and engineering group, has won a first entry into the US aerospace market with the acquisition of the Monroe Forgings business for £21m, or £10.53m.

Monroe, based in Rochester, New York, is a leader in the production of high quality seamless rolled rings and forgings for the aerospace, nuclear and bearing industries.

The acquisition will give JFB access to the two largest aircraft engine manufacturers in the world, General Electric and Pratt & Whitney, which are key customers of Monroe. As such, it will be a significant step for JFB in its long-held aim of expanding into the US

aerospace market.

Mr Tony Edisbury, group financial controller, said the company had been looking to make a US acquisition to gain access to the US market, which it had found very difficult to penetrate. JFB hopes to sell Monroe's products to its existing customers as well.

The acquisition was made at net asset value. Nearly six years ago JFB had been prepared to buy Monroe at a premium to net assets but the US market was then taken over by the market by its owners, United Dominion Industries.

Monroe's pre-tax profits fell 71 per cent to £1.2m in the year to December 31 as the difficulties facing the aerospace industry

Willaire down 25% and no interim

WILLAIRES GROUP, the environmental and electronics company, suffered a 25 per cent decline in pre-tax profits from £1.34m to £1.01m in the six months to October 31. The interim dividend is being passed.

The company, which has seen its share price fall from 13p to 4.5p in the last 12 months, declared a dividend of 0.3p for the six months to June 1990. It has since changed its year-end from December to April 30.

Sales, reflecting acquisitions, jumped 62 per cent to £19.06m

(£11.7m). Fully diluted earnings per share, affected by share issues, fell to 0.3p (0.5p). In the environmental division, P&F, bought in November 1989, increased the group's market share in fume cabinets.

Overall the division had not shown the growth anticipated a year ago. It made an operating profit of £1.17m (£721,000) on sales of £10.8m (£8.48m).

The electronics division made £590,000 (£591,000) on sales of £8.29m (£8.57m). A reasonable performance from Willaire, which has just launched a new range of terminals for

electronic funds transfer, was undermined by losses at BATS, a computers systems company.

Interest payable rose to £653,000 (£122,000). On April 30 the group had borrowings of £747,000 (£74,000), giving gearing of 53 per cent.

Mr Antony Roscoe, chairman, said the group had taken steps to reduce overheads and two small, unprofitable operations had been closed.

Extraordinary debits of £747,000 (£74,000), relating to closure costs and a write-down, resulted in an attributable loss of £63,000 (profit £229,000).

Oil-related side helps Oeconics rise to £1.15m

By Michio Nakamoto

STRENGTH IN its oil exploration business helped Oeconics Group, the specialist marine technology company, to report a 14 per cent rise in pre-tax profits to £1.15m for the half year to September 30, compared with £1.01m.

Earnings per share rose to 0.6p per share (0.5p), although turnover fell to £12.35m (£16.61m).

An extraordinary loss of £900,000 was incurred on the disposal of its systems technology division leaving the company with a loss for the period of £79,000 (£257,000). And the company is in arrears on preference dividends that were due to be paid on September 30 1990.

The disposal was made earlier this month as part of a strategy to withdraw from non-core businesses and concentrate on marine and associated services.

Mr John Bryan, chairman, said the company's double buoyant demand for oil exploration services and expected worldwide expenditure on oil exploration to increase significantly. Investment in facilities to allow for more efficient extraction and distribution of known reserves was also likely to rise, he said.

With the business in the marine sector outside of oil also doing well, the company expected the benefits of cost-cutting measures to show through starting in the spring.

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Sandell loss after poor second half

Pre-tax losses of £136,978, against profits of £75,708, were announced by Sandell Group, the shop and office fitter, for the year to September 30. Directors said that reflected the general decline in the construction industry particularly during the second half.

Turnover, which for the year rose to £4.18m (£3.81m), declined in the second half, and bad debts and finance costs increased. In addition, a counterclaim was made against Sandell Interlock for £42,300 in respect of a completed contract. That division incurred losses of £46,975 for the year while the office partitioning and suspended ceiling divisions produced losses of £90,000.

The loss per share came through at 4.4p (3.1p) after a tax credit of 2p (£79,800 charge). The final dividend is being passed, making a total of 1.7p for the year.

Better second half for Seacon

An improved second half enabled Seacon Holdings to end the year to September 30

with taxable profits £57,000 ahead at £158m.

Interim results of this USM-quoted company, ferries and hotels group were down by 32 per cent.

The company said the second half had been helped by better weather, reduced fuel costs and a more stable pound/D-Mark rate.

The previous year's figures were hit by an exceptional debit of £682,000 resulting from the failure of a joint venture partner.

On turnover slightly down at £17.34m (£17.93m) operating profits were £1.04m (£2.17m). Interest received was lower at £84,000 (£135,000).

There was an extraordinary debit this time of £2.21m arising from the sale of the Milford Dock Company.

Earnings per share came out at 13.91p (£1.46p) basic or 11.33p (£1.02p) fully diluted. A final dividend of 2.3p is recommended for a total of 3.5p (3.15p).

Acquisitions help Intercare to £0.5m

Intercare Group, Stockport-based medical supplies distributor, reported pre-tax profits of £504,000 for the year to end-October compared with a loss of £74,000.

The result reflected the company's expansion by acquisition over the period. It is

intending to pay its first dividend with a proposed final of 1.25p.

During the year Intercare had acquired A-Z Dental Holdings, North West Ostomy Supplies (Wholesale) and Impham. Figures include five months of NWOS and two months from Impham.

It also moved from the Third Market to the USM and changed its name from Pennine Optical.

Mr Peter Cowan, chairman and chief executive, said the highlight of the year had been the turnaround from loss into profit at Pennine Medical.

Group turnover increased almost six times to £6.78m (£1.18m) and the pre-tax figure was struck after double interest charges of £77,000 (£36,000). Earnings per share were 4.1p (1.5p losses).

Porvair recovers to £1.51m

For the year to November 30 pre-tax profits at Porvair, a maker of plastic materials, reached £1.51m, compared with £788,000 last time and £1.35m in 1987-88.

Mr John

FINANCIAL TIMES

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Weekend February 9/February 10 1991

The trouble with Fimbra

IMPOSING a new and comprehensive system of investor protection on Britain's very disparate investment markets was always going to be a painful process. Nor was it difficult to predict, in the run-up to the implementation of the 1989 Financial Services Act, where the pain would be most acute. Fimbra, the Financial Intermediaries, Managers and Brokers Regulatory Association, represents a ragged army of hitherto largely unregulated folk, ranging from sophisticated financial services to part-time insurance salesmen. Now rather grandly entitled independent financial advisers, they pose a huge headache for the watchdog that has always been the weakest link in the regulatory chain.

Following the collapse of Dundas Securities and Levitt Group, claims under Fimbra's investor compensation scheme are thought to be likely to exceed £10m in the current year. And in a letter to Mr John Redwood, minister for consumer affairs, which was leaked to the press this week, Fimbra's chief executive Sir Gordon Downey indicated that the financial burden of these collapses could threaten the solvency of Fimbra itself. Sir Gordon questioned whether Fimbra members were legally obliged to pay compensation for investors' losses which stemmed from events that took place before the establishment of the compensation scheme. He has also taken action to improve the self regulatory organisation's troubled finances by sacking staff and other cost-cutting measures.

The immediate outcome is that many clients of independent financial advisers who were relying on compensation from Fimbra up to a ceiling of £48,000 are now unsure of where they stand. Sir Gordon's financial housekeeping, however necessary to address Fimbra's immediate financial problems, also raises a question about the future effectiveness of a watchdog whose managerial performance in its early days was unconvincing.

Negotiating process

In practice it seems unlikely that Fimbra's troubles will leave investors in the lurch. Threats and leaks are simply part and parcel of the negotiating process, as watchdogs and practitioners haggle over who foots how much of which bill. Yesterday all concerned were anxious to dispel the suggestion that Fimbra was heading for the rocks. The system's top self-regulatory watchdog, the Securities and Investments Board (SIB), emphasised that it would continue to liaise closely

with Fimbra to ensure "that the requisite investor protection is maintained".

But the fact remains that Fimbra is, in the long run, under-financed to regulate a large membership that takes in a plethora of small firms across the nation. And if an independent advisory sector is to survive in any worthwhile sense, some change in the regulatory structure is inescapable.

Draconian sanction

The SIB has the power to take back the regulatory role now undertaken by Fimbra. But that would represent a draconian sanction; and in a system which already suffers from a surfeit of self-regulatory organisations whose functions are also partly duplicated by the SIB's own, costly power to authorise firms directly, it would simply muddy the waters. More sensible would be some attempt to merge Fimbra with either Lauto, which regulates the sales practices of the life assurance and unit trust industry, Imro, which looks after investment managers, or both.

The problem is that the membership of both these bodies would be reluctant to tolerate any merger in which they would end up sharing the bill for Fimbra's more dubious members. And leading insurance companies argue that the principle of polarisation, whereby insurance salesmen must choose between commitment to a single insurance company or independent status, would be compromised by a merger of Fimbra and Lauto. The public, they add, would be confused.

Such high-minded argument needs to be seen in the context of market reality. The failed Levitt Group, to name but one obvious example, included among its shareholders such respected insurance giants as Legal & General, Commercial Union and General Accident. That suggests, if anything, that the confusion lies in the present structure. The present set-up also requires a costly bureaucratic exercise in which insurance companies have to sign up with two or three self-regulatory organisations to cover their different activities.

Polarisation was never a particularly good principle in the first place. It simply filled the gap left by the failure of the SIB to impose adequate disclosure of commissions on the life assurance industry at the outset. It should not be beyond the wit of the regulator to come up with an enlarged organisation that puts Fimbra's financial troubles to rest and leaves investors with a clearer understanding of what protection they enjoy.

In a final, despairing effort to save off the receivers, the 77 employees of Hoynor Trailers, a long-established manufacturer of car transporters, took a pay cut. The company had already tried to save itself, in the face of collapsing sales, by trying to open up a new market in France. But it underestimated the cost and failed to find customers quickly enough.

The workforce's gesture proved too little too late and the company, based at Braintree, Essex, joined the ever-lengthening list of enterprises to fall victim to the recession. This week its buildings, materials and the skills of its staff were being advertised for sale.

According to Mr Howard Evans, the administrative receiver: "In most respects, the directors were blameless. Their sales nosedived in less than 12 months. They should have cut their workforce earlier but you can understand why they did not."

A corporate struggle for survival now embroils increasing numbers of British companies trying to come to terms with recession on a scale many have not previously confronted.

Interest rates have stayed higher for longer than any corporate plan could have envisaged. Every extra 1 per cent on base rates, according to the Confederation of British Industry, adds 1500m a year to business costs and now, after only one cut, they still stand 6.5 percentage points higher than in May 1988.

The squeeze has placed enormous strains on corporate finances and in particular on the large number of businesses that expanded ambitiously on the back of borrowed money and in the mistaken belief that the economy would remain buoyant.

Simultaneously, the effect of high interest rates has undermined demand for products and services across the entire spectrum of the nation's economy.

Every corporate collapse can, ultimately, be viewed as a failure of management but there is ample evidence that businesses are not going down without a fight.

Companies are restructuring debt, if their bankers are willing, and trying to sell assets, if they can find purchasers. They are reducing selling prices and making redundant many of the workers so recently recruited. The Labour party claims 1,000 jobs are being lost every working day with the south-east among the worst-hit areas.

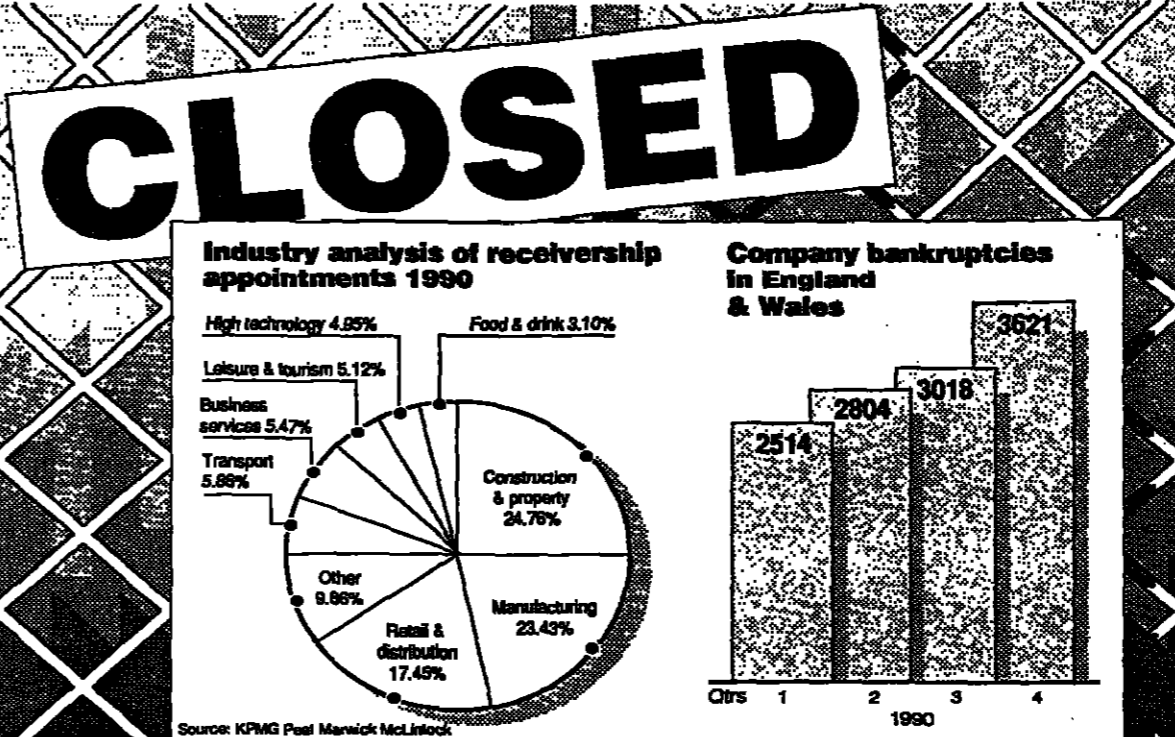
Each new set of statistics underlines the extent of the reversal which now besets the economy. Receiverships in 1990 exceeded 2,800, more than double the annual figures recorded in the buoyant mid-1980s. This week, KPMG Peat Marwick McLintock, the accountancy firm, calculated that last year more than 8,800 businesses sought voluntary liquidation to put an end to their plight. There were another 5,358 compulsory

liquidations and a further 11,957 bankruptcies.

But there is no suggestion that the worst is yet over. The first weeks of 1991 have seen the roll-call of receiverships continue to lengthen. The list includes established businesses such as John Dee Group, one of the UK's largest road hauliers, which finally succumbed to a cash flow crisis.

It has already been joined in receivership by names such as RPK Group, the USM-quoted mini-conglomerate, Valin Pollen, one of the most dynamic names in the public relations industry, and Stormeal, the third-largest double-glazing group in the country.

Mr Tim Hayward, the head of corporate recovery at KPMG Peat Marwick McLintock, tries to maintain a sense of perspective and points out

Michael Cassell describes the battle for survival being lost all over corporate Britain
Hard times, and getting harder

Source: KPMG Peat Marwick McLintock

that, in the four years until 1990, 150,000 companies were registered. But he believes receiverships, at near record levels, will probably go higher. "Until now we have seen the inevitable reaction to an over-heated economy, with the froth being blown off the top of the economy. But there is a danger that it will not stop at that."

Mr Allan Griffiths, the joint administrative receiver for the Lewis's department store group, which went into receivership last week, has helped clear up the mess from two previous recessions but believes the latest is the most serious.

"This one is right across the board. Last time, I would get a call from a bank and I could almost guess what sort of business it would be. Now the telephone goes and it can be any-

thing."

Lewis's also put up a fight after 135 years of successful trading and two years of independence from Sears. Debts arising from a management buy-out at a time when the retail sector was a stock-market favourite had reached £3.5m and sales revenue was plummeting.

According to Mr Griffiths, of Grant Thornton, the accountants: "The cash position was good because they sold off some of the stores and leased them back. But they were committed to a programme of expansion and refurbishment financed on the back of additional finance at higher interest rates."

National Westminster Bank was prepared to maintain support but, in view of the outlook for retail sales, not ready to provide additional funds.

The banks inevitably come in for criticism when they finally pull the plug, although their stock response is to stress that they are providers of risk capital and that, all too often, they are kept in the dark about mounting problems.

According to Mr Griffiths of Grant Thornton: "A recession often demands a different kind of management to the one which prospers in a boom. The risk-taker who has struck lucky may not be the best man when caution is called for. Confronted with problems, some refuse to seek advice, bury their heads in the sand and wait for things to get better."

He concludes: "One thing I have learned is that every boom will be followed by hard times. People never believe the good times are going to stop. They always, always do."

Major's back against the wall

High interest rates are hurting the Tories, says Joe Rogaly

is over, its boost to the government's popularity will fall away. By then memories of Mrs Margaret Thatcher will have begun to fade, so that the boost given to the Conservatives by her departure can also be discounted.

There is support for this theory in the Gallup poll in yesterday's Daily Telegraph. It shows Labour edging ahead in spite of the Gulf war. More to the point, most people now believe their household finances will worsen over the coming year. A government that goes to the election with this "feelgood factor" running against it cannot hope to win an overall majority in the House of Commons.

The outcome of the election also depends on how voters perceive rising unemployment. Nothing the government does now can prevent a lengthening of the debt queues, probably well into 1992. Rising unemployment did not prevent the Tories from winning in 1983, but then Mrs Thatcher was hardly opposed. The Social Democratic party had taken away many Labour supporters and what was left of the party was led by Mr Michael Foot. The electoral effect of rising unemployment this time is therefore an unknown.

Meanwhile plenty can be done to improve the "feelgood factor" for households whose earners are in jobs. Interest rates can be cut, as they presumably will be once the retail price index can be shown to be falling.

Next Friday could be a start. Public sector pay can be allowed to rise faster than the forecast rate of inflation: the forces, nurses, teachers and civil servants are already beneficiaries. Money can be put in the pockets of the skilled working class voters without whose support the Conservatives are in danger of losing the Midlands and southern constituencies gained during the Thatcher years. This may be arranged by juggling income taxes and personal allowances. Watch Mr Norman Lamont present his first Budget on March 15.

Interest rates could also be cut at that time - but here there is a difficulty. Mr Major has committed Britain to maintaining sterling

within the Exchange Rate Mechanism of the European monetary system. If the pound falls through its ERM floor he may have to raise the rate again. Economists see nothing extraordinary in this. In the run-up to an election, it could finish the Conservatives. The alternative - a devalued nation - gets us out of the recession quickly, but coming so soon after entry to the ERM it would be a political humiliation. Labour would make a meal of it. The Tories seem trapped.

They could, however, spring free. If the markets believe in a sharp fall in inflation, they might accept interest rate cuts without driving sterling down. All the economic factors, excepting unemployment, would then be right. It would be down to politics, and a hidden joker in the pack: the Liberal Democrats. They usually do better in elections than the polls show. If they move from their present 10 per cent to 14 or 15 per cent, the opposition vote is once again split, and Mr Major is in with a chance.

Lewis's is also believed to have unsuccessfully sought an injection of venture capital. The 3,400 staff agreed an emergency pay cut but it was in vain. Other management buy-outs, planned when the economy was buoyant, appear to have been short-lived. BAL (UK), a Warwickshire-based manufacturer of components for the broadcasting industry, is also in the hands of Grant Thornton.

The business has an annual turnover of £3.5m but carried a high debt burden arising from its purchase out of the Vandenhoff Group in 1989. The three directors also injected personal funds but, almost at once, sales declined sharply.

Mr Roy Atkins of Grant Thornton says: "They were technically and financially bright and could have withstood the interest rates but not the additional burden of collapsing sales." The business is for sale.

Businesses selling luxury items have not escaped. Follett, which has been selling cars in London for 60 years, has been forced to appoint receivers to parts of its business because of a slump in sales last year, it cut its ties with Porsche and switched to Mazda, a franchise which is unaffected by receivership, to try to improve its prospects. The Mazda franchise survives. Mr Edwin Kirker, Follett's joint administrative receiver from Pannell Kerr Forster, again paints a picture of experienced, astute directors essentially overwhelmed by events.

Mr Robert Ramsay and Mrs Helen McLain have just encountered the same fate. Fifteen years ago they set up Toy & Hobby International which they built into a business with a £13m turnover, operating from nine stores in the north-west.

Mr David Swaden of Leonard Curtis, the receivers, says sales fell, competition increased and the last straw was a Christmas when sales actually declined further. "They tried to unlock the value of some of their properties and sought equity finance but there were no takers. The bank was not prepared to wait another year for a revival."

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MAN IN THE NEWS

Nicholas Brady
Banking on the need for reform

By Peter Riddell



Mr Nicholas Brady faces the most difficult political battle of his two and a half years as US Treasury secretary. He has to persuade a sceptical and cautious Congress to approve the most far-reaching overhaul of American banking for more than 50 years.

The current betting in Washington is that Mr Brady will fall short of a comprehensive package. He will have to settle for legislation dealing mainly with the immediate problems of the bank deposit insurance fund.

A common view, heard both from the Senate and House Banking committees and from banking lobbyists, is that Mr Brady lacks the political clout to overcome competing interests and congressional inertia.

Mr Brady has recently faced a volley of such criticism and he appears unperturbed. But then he is an easy man to underestimate.

In a city which applauds public flair, an ability to spot tomorrow's trend (but not too soon) and skill in manipulating relations with Capitol Hill and the press, Mr Brady is an anomaly. He is low key, hesitant and, while improved, still a patchy public performer - though in private he is relaxed and approachable.

Mr Brady seems almost to delight in brushing aside short-term upsets and taking the long view. He has appeared detached about the recession, noting that such cyclical changes occur and the economy will pull back out again.

Comparisons are naturally drawn with Mr James Baker, his predecessor at the Treasury and now secretary of state. Mr Baker is a master of the prized Washington arts. He has a legendary reputation as a deal-maker, both domestically and internationally. Like fellow Texan John Connally 20 years ago, Baker embodied the image of Treasury secretary as chief economic spokesman.

Mr Brady has faced up to some problems - notably the savings and loan mess and the Third World debt crisis - which deteriorated under Mr

Baker. Mr Brady would like to be remembered for dealing with these issues, as well as for the Enterprise for the Americas initiative of trade and debt help for Latin America and continuing "dialogue" on international economic co-ordination (now under fire).

By temperament and preference, Mr Brady is less of a high-profile public figure, and more of a close counsellor to Mr Bush. In many respects, he is still the investment banker he was for 30 years at the solid, if unadventurous, Wall Street house of Dillon Read. Only now he is personal investment banker to the US president.

His standing in Washington derives from his influence with Mr Bush. Their close relations are apparent when they are seen together: this week Mr Bush went out of his way to praise his "able" Treasury secretary. The key to their relationship is trust. Unlike Mr Baker or the Budget director, Mr Richard Darman, Mr Brady has no political ambitions. But is this private support

sufficient to win Mr Brady's public battles? Mr Bush joked earlier this week that the Brady proposal will be called the Bush proposal if it is successful. It is up to Mr Brady to achieve that success.

Critics argue that the Treasury lacks the necessary political skills and muscle. They point, for instance, to its long and so far unsuccessful, battle to overcome the resistance of the futures markets, and their congressional allies, to a shift in the regulation of stock index futures. Similarly, the Treasury became involved in a public row last autumn with members of the House Banking committee over additional funding for the savings and loan rescue. The money was blocked at the last minute, though Mr Brady was probably bound to lose ahead of the mid-term elections.

However, Mr Brady has won respect on Capitol Hill for his straightforwardness. For instance, during last autumn's bruising budget battles, he was trusted by Democratic leaders, when Mr Darman was not, and

he helped to lower the temperature and keep the talks going. Mr Brady points to the Treasury's success two years ago in winning approval for the original savings and loan rescue in just six months - "the fastest that I can recall a comprehensive piece of legislation going through Congress".

Banking lobbyists wonder whether this success has not produced over-confidence. The savings and loan industry faced a much more urgent crisis than banking does now. Insofar as there are parallels, it could mean that Congress will only respond to more pressing issues such as the recapitalisation of the bank insurance fund and reform of deposit insurance. Both Senator Donald Riegle and Congressman Henry Gonzalez, chairmen of the Senate and House Banking committees, have argued for waiting until after a strengthening of supervision and deposit insurance has occurred before changing banking structure.

Mr Brady believes Congress must not put off necessary

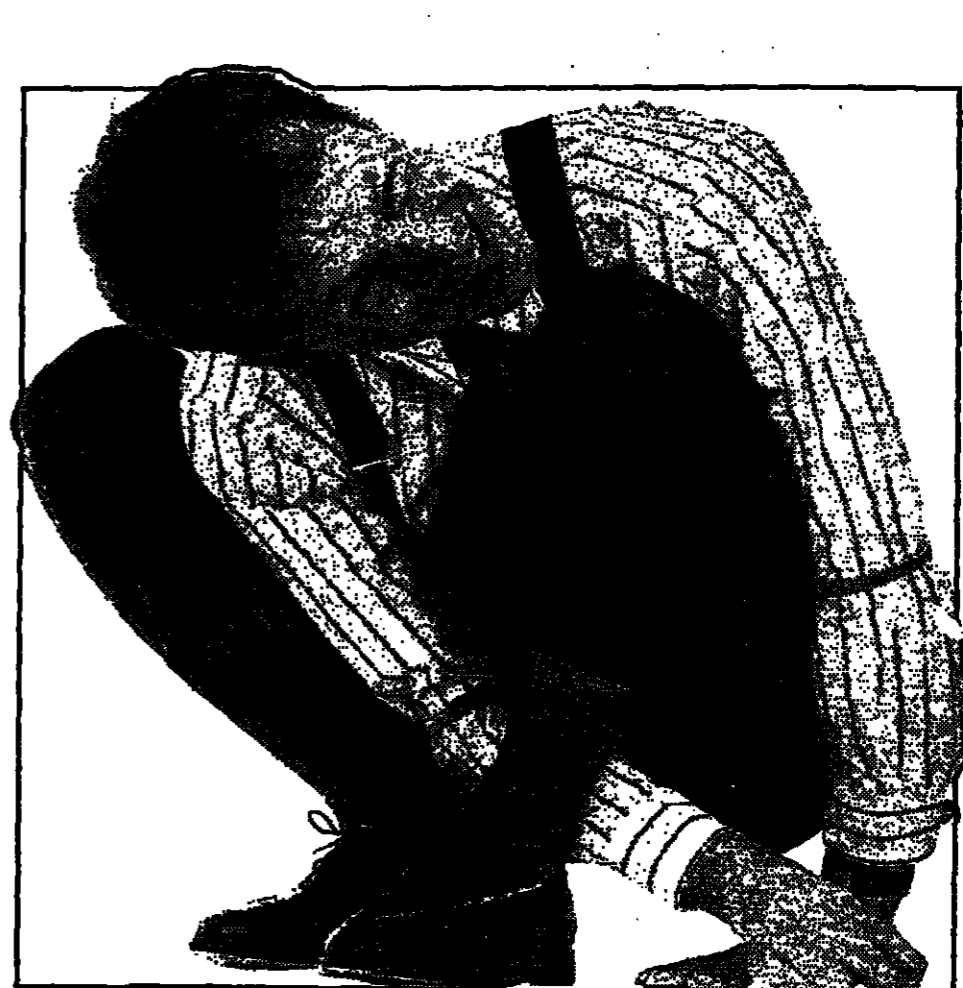
reforms. He argues that it is vital to strengthen the health of the system by securing additional capital: to make American banks internationally competitive again; and to offer consumers a wider choice. He sees customers as the main beneficiaries of his plan, since US banks, like British ones now, will be able to offer a full range of lending and other financial services.

He will have to overcome not only congressional fear of repeating the deregulatory mistakes which led to the savings and loan scandal but also a myriad of affected interests, all with political influence. There is no uniformity of view: there never could be among the 12,500 US banks. Small, community-based banks are wary of changes which threaten their independence. Investment houses, insurance and property companies and almost anything with financial in its name is affected.

Despite initially cautious comments from Congress, he argues there is a "time and tide to get the job done". He notes that even Congressman John Dingell, chairman of the House Energy and Commerce committee, who has blocked previous attempts at structural reform, has said he is willing to work with the Treasury to produce good legislation.

Mr Brady draws a parallel with the presidential commission report which he and Mr Robert Glauber, now the Treasury's finance under-secretary, wrote after the October 1987 stock market crash. It was initially brushed aside, but several of the ideas, such as having circuit breakers in times of volatility and reporting of large trades, have since been adopted.

If Mr Brady succeeds in winning approval for his package, he will have earned a place alongside McCarron, Glass, Staggall, McCarron and those other architects of the restrictive laws he is seeking to scrap. The odds may be against him, but he says he is an optimist because "I feel so strongly the proposals are really right".



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Unit Trust Yield

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lauto PS

INITIAL CHARGE: Charge made on sale of units, usually 5% of the net asset value of the units.

OFFER PRICE: Price at which units are offered to the public.

BID PRICE: Price at which units are bought back by the fund.

CANCELLATION PRICE: Price at which units are cancelled by the fund.

REDEMPTION PRICE: Price at which units are redeemed by the fund.

NET ASSET VALUE: The value of the assets of the fund divided by the number of units.

UNIT PRICE: The price of one unit of the fund.

UNIT YIELD: The income generated by the fund divided by the number of units.

UNIT RISK: The risk associated with the investment of the fund.

UNIT DIVERSITY: The range of investments held by the fund.

UNIT LIQUIDITY: The ability of the fund to meet redemptions.

UNIT CREDIT: The credit rating of the fund.

UNIT RATING: The overall rating of the fund.

UNIT COMMENT: A brief comment on the fund.

UNIT DETAILS: Further details of the fund.

UNIT NOTES: Notes on the fund.

UNIT REFERENCES: References to other information.

UNIT CONTACT: Contact information for the fund.

UNIT FOOTNOTES: Footnotes to the fund information.

Continued on Page 21

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-925-2128

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Continued on next page

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مکرم من الاعمال

Bulls revive after Thursday's profit-taking

Nikkei rises on hopes of interest rate cut

German investors mull over trading opportunities

From Frankfurt, **Katharine Campbell** explains how cyclicals, like chemicals, have had a new lease of life

interest rates, some brokers have been tipping financial stocks, such as the big three banks. However, as they are undoubtedly faring well east Germany, overall commission earnings this year are expected to be modest. Further, the long-term interest rates largely impact bond valuations made at the end of the year; much can change by then. And interest margins, if anything, are under pressure because of the rise in short-term rates.

The worst performing sector since January has been department stores. Retail slumping, personal weakness but with nervousness about Gulf costs, and the higher consumer taxes which may follow, deepening the spiral. Both Karstadt and Kaufhof have sizable travel businesses which have made inventory adjustments.

However, some analysts are wondering if the pessimism has been overdone - with Karstadt for instance recently pointing out that, while sales have of course suffered a downturn, many holidays have been rebokked, from Turkey to Spain, and so forth. Kaufhof's 1990 profits would be up some 30 per cent during 1990.

Bourses encouraged by bond market improvement

lux, too, had been oversold, and its B shares closed SKR95 and higher, again at SKR194. However, the rise in Samba American title took Samba Scania Bs down SKR6 to SKR190 and the Affarsvården General index ended 11.8 higher at 975.8.

ZURICH Investors covered their short positions after the French 100 index fell to 1,480. The Suisse index closed 3.6 higher at 488.9 in moderate trading, up 2.9 per cent on the week.

BRUSSELS saw strength in bipe chip industrials and high yields. The 30-day Credit Index closed 34.3 higher. 5.121.17, 3.8 per cent better on the week. ISTANBUL stabilised after two days of heavy selling. The index closed at 4,768.01, up 43.31 on the day and 7.8 per cent higher on the week. MADRID's general index rose 0.8 to 240.6, up 4.3 per cent on the week.

LONDON SHARE SERVICE

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| | | | |
|-----------------------|--------------|-------|-----|
| 51 Bankers N.Y. 51 | 22 1/2 | 52 12 | 4.7 |
| 21 Bell Atlantic 51 | 25 1/2 + 1/4 | 52 36 | 4.8 |
| 25 BellSouth Corp. | 26 1/2 | 52 68 | 5.2 |
| 51 Bethlehem Steel CR | 71 1/2 | 40 | 2.7 |

Center

مکذا من الاصل

LONDON SHARE SERVICE

• Latest Share Prices are available on FT Cyteline. To obtain your free Share Code Booklet ring the FT Cyteline help desk on 071-925-2128

MOTORS, AIRCRAFT TRADES

| 1990/91 | Stock | Price | 1990/91 | Stock | Price |
|---------|---------------|-------|---------|---------------|-------|
| 131 | SAHRI Limited | 15.5 | 131 | SAHRI Limited | 15.5 |
| 132 | SAHRI Limited | 15.5 | 132 | SAHRI Limited | 15.5 |
| 133 | SAHRI Limited | 15.5 | 133 | SAHRI Limited | 15.5 |
| 134 | SAHRI Limited | 15.5 | 134 | SAHRI Limited | 15.5 |

Commercial Vehicles

| 1990/91 | Stock | Price | 1990/91 | Stock | Price |
|---------|---------------|-------|---------|---------------|-------|
| 135 | SAHRI Limited | 15.5 | 135 | SAHRI Limited | 15.5 |
| 136 | SAHRI Limited | 15.5 | 136 | SAHRI Limited | 15.5 |
| 137 | SAHRI Limited | 15.5 | 137 | SAHRI Limited | 15.5 |
| 138 | SAHRI Limited | 15.5 | 138 | SAHRI Limited | 15.5 |

Components

| 1990/91 | Stock | Price | 1990/91 | Stock | Price |
|---------|---------------|-------|---------|---------------|-------|
| 139 | SAHRI Limited | 15.5 | 139 | SAHRI Limited | 15.5 |
| 140 | SAHRI Limited | 15.5 | 140 | SAHRI Limited | 15.5 |
| 141 | SAHRI Limited | 15.5 | 141 | SAHRI Limited | 15.5 |
| 142 | SAHRI Limited | 15.5 | 142 | SAHRI Limited | 15.5 |

Garages and Distributors

| 1990/91 | Stock | Price | 1990/91 | Stock | Price |
|---------|---------------|-------|---------|---------------|-------|
| 143 | SAHRI Limited | 15.5 | 143 | SAHRI Limited | 15.5 |
| 144 | SAHRI Limited | 15.5 | 144 | SAHRI Limited | 15.5 |
| 145 | SAHRI Limited | 15.5 | 145 | SAHRI Limited | 15.5 |
| 146 | SAHRI Limited | 15.5 | 146 | SAHRI Limited | 15.5 |

NEWSPAPERS, PUBLISHERS

| 1990/91 | Stock | Price | 1990/91 | Stock | Price |
|---------|---------------|-------|---------|---------------|-------|
| 147 | SAHRI Limited | 15.5 | 147 | SAHRI Limited | 15.5 |
| 148 | SAHRI Limited | 15.5 | 148 | SAHRI Limited | 15.5 |
| 149 | SAHRI Limited | 15.5 | 149 | SAHRI Limited | 15.5 |
| 150 | SAHRI Limited | 15.5 | 150 | SAHRI Limited | 15.5 |

PAPER, PRINTING, ADVERTISING

| 1990/91 | Stock | Price | 1990/91 | Stock | Price |
|---------|---------------|-------|---------|---------------|-------|
| 151 | SAHRI Limited | 15.5 | 151 | SAHRI Limited | 15.5 |
| 152 | SAHRI Limited | 15.5 | 152 | SAHRI Limited | 15.5 |
| 153 | SAHRI Limited | 15.5 | 153 | SAHRI Limited | 15.5 |
| 154 | SAHRI Limited | 15.5 | 154 | SAHRI Limited | 15.5 |

PROPERTY - Contd

| 1990/91 | Stock | Price | 1990/91 | Stock | Price |
|---------|---------------|-------|---------|---------------|-------|
| 155 | SAHRI Limited | 15.5 | 155 | SAHRI Limited | 15.5 |
| 156 | SAHRI Limited | 15.5 | 156 | SAHRI Limited | 15.5 |
| 157 | SAHRI Limited | 15.5 | 157 | SAHRI Limited | 15.5 |
| 158 | SAHRI Limited | 15.5 | 158 | SAHRI Limited | 15.5 |

INVESTMENT TRUST - Contd

| 1990/91 | Stock | Price | 1990/91 | Stock | Price |
|---------|---------------|-------|---------|---------------|-------|
| 159 | SAHRI Limited | 15.5 | 159 | SAHRI Limited | 15.5 |
| 160 | SAHRI Limited | 15.5 | 160 | SAHRI Limited | 15.5 |
| 161 | SAHRI Limited | 15.5 | 161 | SAHRI Limited | 15.5 |
| 162 | SAHRI Limited | 15.5 | 162 | SAHRI Limited | 15.5 |

INVESTMENT TRUST - Contd

| 1990/91 | Stock | Price | 1990/91 | Stock | Price |
|---------|---------------|-------|---------|---------------|-------|
| 163 | SAHRI Limited | 15.5 | 163 | SAHRI Limited | 15.5 |
| 164 | SAHRI Limited | 15.5 | 164 | SAHRI Limited | 15.5 |
| 165 | SAHRI Limited | 15.5 | 165 | SAHRI Limited | 15.5 |
| 166 | SAHRI Limited | 15.5 | 166 | SAHRI Limited | 15.5 |

OIL AND GAS

| 1990/91 | Stock | Price | 1990/91 | Stock | Price |
|---------|---------------|-------|---------|---------------|-------|
| 167 | SAHRI Limited | 15.5 | 167 | SAHRI Limited | 15.5 |
| 168 | SAHRI Limited | 15.5 | 168 | SAHRI Limited | 15.5 |
| 169 | SAHRI Limited | 15.5 | 169 | SAHRI Limited | 15.5 |
| 170 | SAHRI Limited | 15.5 | 170 | SAHRI Limited | 15.5 |

MINES - Contd

| 1990/91 | Stock | Price | 1990/91 | Stock | Price |
|---------|---------------|-------|---------|---------------|-------|
| 171 | SAHRI Limited | 15.5 | 171 | SAHRI Limited | 15.5 |
| 172 | SAHRI Limited | 15.5 | 172 | SAHRI Limited | 15.5 |
| 173 | SAHRI Limited | 15.5 | 173 | SAHRI Limited | 15.5 |
| 174 | SAHRI Limited | 15.5 | 174 | SAHRI Limited | 15.5 |

FINANCE, LAND, ETC

| 1990/91 | Stock | Price | 1990/91 | Stock | Price |
|---------|---------------|-------|---------|---------------|-------|
| 175 | SAHRI Limited | 15.5 | 175 | SAHRI Limited | 15.5 |
| 176 | SAHRI Limited | 15.5 | 176 | SAHRI Limited | 15.5 |
| 177 | SAHRI Limited | 15.5 | 177 | SAHRI Limited | 15.5 |
| 178 | SAHRI Limited | 15.5 | 178 | SAHRI Limited | 15.5 |

SHOES AND LEATHER

| 1990/91 | Stock | Price | 1990/91 | Stock | Price |
|---------|---------------|-------|---------|---------------|-------|
| 179 | SAHRI Limited | 15.5 | 179 | SAHRI Limited | 15.5 |
| 180 | SAHRI Limited | 15.5 | 180 | SAHRI Limited | 15.5 |
| 181 | SAHRI Limited | 15.5 | 181 | SAHRI Limited | 15.5 |
| 182 | SAHRI Limited | 15.5 | 182 | SAHRI Limited | 15.5 |

SOUTH AFRICANS

| 1990/91 | Stock | Price | 1990/91 | Stock | Price |
|---------|---------------|-------|---------|---------------|-------|
| 183 | SAHRI Limited | 15.5 | 183 | SAHRI Limited | 15.5 |
| 184 | SAHRI Limited | 15.5 | 184 | SAHRI Limited | 15.5 |
| 185 | SAHRI Limited | 15.5 | 185 | SAHRI Limited | 15.5 |
| 186 | SAHRI Limited | 15.5 | 186 | SAHRI Limited | 15.5 |

TEXTILES

| 1990/91 | Stock | Price | 1990/91 | Stock | Price |
|---------|---------------|-------|---------|---------------|-------|
| 187 | SAHRI Limited | 15.5 | 187 | SAHRI Limited | 15.5 |
| 188 | SAHRI Limited | 15.5 | 188 | SAHRI Limited | 15.5 |
| 189 | SAHRI Limited | 15.5 | 189 | SAHRI Limited | 15.5 |
| 190 | SAHRI Limited | 15.5 | 190 | SAHRI Limited | 15.5 |

TOBACCO

| 1990/91 | Stock | Price | 1990/91 | Stock | Price |
|---------|---------------|-------|---------|---------------|-------|
| 191 | SAHRI Limited | 15.5 | 191 | SAHRI Limited | 15.5 |
| 192 | SAHRI Limited | 15.5 | 192 | SAHRI Limited | 15.5 |
| 193 | SAHRI Limited | 15.5 | 193 | SAHRI Limited | 15.5 |
| 194 | SAHRI Limited | 15.5 | 194 | SAHRI Limited | 15.5 |

TRANSPORT

| 1990/91 | Stock | Price | 1990/91 | Stock | Price |
|---------|---------------|-------|---------|---------------|-------|
| 195 | SAHRI Limited | 15.5 | 195 | SAHRI Limited | 15.5 |
| 196 | SAHRI Limited | 15.5 | 196 | SAHRI Limited | 15.5 |
| 197 | SAHRI Limited | 15.5 | 197 | SAHRI Limited | 15.5 |
| 198 | SAHRI Limited | 15.5 | 198 | SAHRI Limited | 15.5 |

PROPERTY

| 1990/91 | Stock | Price | 1990/91 | Stock | Price |
|---------|---------------|-------|---------|---------------|-------|
| 199 | SAHRI Limited | 15.5 | 199 | SAHRI Limited | 15.5 |
| 200 | SAHRI Limited | 15.5 | 200 | SAHRI Limited | 15.5 |
| 201 | SAHRI Limited | 15.5 | 201 | SAHRI Limited | 15.5 |
| 202 | SAHRI Limited | 15.5 | 202 | SAHRI Limited | 15.5 |

INVESTMENT TRUST

| 1990/91 | Stock | Price | 1990/91 | Stock | Price |
|---------|---------------|-------|---------|---------------|-------|
| 203 | SAHRI Limited | 15.5 | 203 | SAHRI Limited | 15.5 |
| 204 | SAHRI Limited | 15.5 | 204 | SAHRI Limited | 15.5 |
| 205 | SAHRI Limited | 15.5 | 205 | SAHRI Limited | 15.5 |
| 206 | SAHRI Limited | 15.5 | 206 | SAHRI Limited | 15.5 |

WATER

| 1990/91 | Stock | Price | 1990/91 | Stock | Price |
|---------|---------------|-------|---------|---------------|-------|
| 207 | SAHRI Limited | 15.5 | 207 | SAHRI Limited | 15.5 |
| 208 | SAHRI Limited | 15.5 | 208 | SAHRI Limited | 15.5 |
| 209 | SAHRI Limited | 15.5 | 209 | SAHRI Limited | 15.5 |
| 210 | SAHRI Limited | 15.5 | 210 | SAHRI Limited | 15.5 |

AUSTRALIANS

| 1990/91 | Stock | Price | 1990/91 | Stock | Price |
|---------|---------------|-------|---------|---------------|-------|
| 211 | SAHRI Limited | 15.5 | 211 | SAHRI Limited | 15.5 |
| 212 | SAHRI Limited | 15.5 | 212 | SAHRI Limited | 15.5 |
| 213 | SAHRI Limited | 15.5 | 213 | SAHRI Limited | 15.5 |
| 214 | SAHRI Limited | 15.5 | 214 | SAHRI Limited | 15.5 |

CENTRAL AFRICAN

| 1990/91 | Stock | Price | 1990/91 | Stock | Price |
|---------|---------------|-------|---------|---------------|-------|
| 215 | SAHRI Limited | 15.5 | 215 | SAHRI Limited | 15.5 |
| 216 | SAHRI Limited | 15.5 | 216 | SAHRI Limited | 15.5 |
| 217 | SAHRI Limited | 15.5 | 217 | SAHRI Limited | 15.5 |
| 218 | SAHRI Limited | 15.5 | 218 | SAHRI Limited | 15.5 |

FINANCE

| 1990/91 | Stock | Price | 1990/91 | Stock | Price |
|---------|---------------|-------|---------|---------------|-------|
| 219 | SAHRI Limited | 15.5 | 219 | SAHRI Limited | 15.5 |
| 220 | SAHRI Limited | 15.5 | 220 | SAHRI Limited | 15.5 |
| 221 | SAHRI Limited | 15.5 | 221 | SAHRI Limited | 15.5 |
| 222 | SAHRI Limited | 15.5 | 222 | SAHRI Limited | 15.5 |

DIAMOND AND PLATINUM

| 1990/91 | Stock | Price | 1990/91 | Stock | Price |
|---------|---------------|-------|---------|---------------|-------|
| 223 | SAHRI Limited | 15.5 | 223 | SAHRI Limited | 15.5 |
| 224 | SAHRI Limited | 15.5 | 224 | SAHRI Limited | 15.5 |
| 225 | SAHRI Limited | 15.5 | 225 | SAHRI Limited | 15.5 |
| 226 | SAHRI Limited | 15.5 | 226 | SAHRI Limited | 15.5 |

CENTRAL AFRICAN

| 1990/91 | Stock | Price | 1990/91 | Stock | Price |
|---------|---------------|-------|---------|---------------|-------|
| 227 | SAHRI Limited | 15.5 | 227 | SAHRI Limited | 15.5 |
| 228 | SAHRI Limited | 15.5 | 228 | SAHRI Limited | 15.5 |
| 229 | SAHRI Limited | 15.5 | 229 | SAHRI Limited | 15.5 |
| 230 | SAHRI Limited | 15.5 | 230 | SAHRI Limited | 15.5 |

FINANCE

| 1990/91 | Stock | Price | 1990/91 | Stock | Price |
|---------|---------------|-------|---------|---------------|-------|
| 231 | SAHRI Limited | 15.5 | 231 | SAHRI Limited | 15.5 |
| 232 | SAHRI Limited | 15.5 | 232 | SAHRI Limited | 15.5 |
| 233 | SAHRI Limited | 15.5 | 233 | SAHRI Limited | 15.5 |
| 234 | SAHRI Limited | 15.5 | 234 | SAHRI Limited | 15.5 |

DIAMOND AND PLATINUM

| 1990/91 | Stock | Price | 1990/91 | Stock | Price |
|---------|---------------|-------|---------|---------------|-------|
| 235 | SAHRI Limited | 15.5 | 235 | SAHRI Limited | 15.5 |
| 236 | SAHRI Limited | 15.5 | 236 | SAHRI Limited | 15.5 |
| 237 | SAHRI Limited | 15.5 | 237 | SAHRI Limited | 15.5 |
| 238 | SAHRI Limited | 15.5 | 238 | SAHRI Limited | 15.5 |

CENTRAL AFRICAN

| 1990/91 | Stock | Price | 1990/91 | Stock | Price |
|---------|---------------|-------|---------|---------------|-------|
| 239 | SAHRI Limited | 15.5 | 239 | SAHRI Limited | 15.5 |
| 240 | SAHRI Limited | 15.5 | 240 | SAHRI Limited | 15.5 |
| 241 | SAHRI Limited | 15.5 | 241 | SAHRI Limited | 15.5 |
| 242 | SAHRI Limited | 15.5 | 242 | SAHRI Limited | 15.5 |

FINANCE

| 1990/91 | Stock | Price | 1990/91 | Stock | Price |
|---------|---------------|-------|---------|---------------|-------|
| 243 | SAHRI Limited | 15.5 | 243 | SAHRI Limited | 15.5 |
| 244 | SAHRI Limited | 15.5 | 244 | SAHRI Limited | 15.5 |
| 245 | SAHRI Limited | 15.5 | 245 | SAHRI Limited | 15.5 |
| 246 | SAHRI Limited | 15.5 | 246 | SAHRI Limited | 15.5 |

DIAMOND AND PLATINUM

| 1990/91 | Stock | Price | 1990/91 | Stock | Price |
|---------|---------------|-------|---------|---------------|-------|
| 247 | SAHRI Limited | 15.5 | 247 | SAHRI Limited | 15.5 |
| 248 | SAHRI Limited | 15.5 | 248 | SAHRI Limited | 15.5 |
| 249 | SAHRI Limited | 15.5 | 249 | SAHRI Limited | 15.5 |
| 250 | SAHRI Limited | 15.5 | 250 | SAHRI Limited | 15.5 |

CENTRAL AFRICAN

| 1990/91 | Stock | Price | 1990/91 | Stock | Price |
|---------|---------------|-------|---------|---------------|-------|
| 251 | SAHRI Limited | 15.5 | 251 | SAHRI Limited | 15.5 |
| 252 | SAHRI Limited | 15.5 | 252 | SAHRI Limited | 15.5 |
| 253 | SAHRI Limited | 15.5 | 253 | SAHRI Limited | 15.5 |
| 254 | SAHRI Limited | 15.5 | 254 | SAHRI Limited | 15.5 |

FINANCE

| 1990/91 | Stock | Price | 1990/91 | Stock | Price |
|---------|---------------|-------|---------|---------------|-------|
| 255 | SAHRI Limited | 15.5 | 255 | SAHRI Limited | 15.5 |
| 256 | SAHRI Limited | 15.5 | 256 | SAHRI Limited | 15.5 |
| 257 | SAHRI Limited | 15.5 | 257 | SAHRI Limited | 15.5 |
| 258 | SAHRI Limited | 15.5 | 258 | SAHRI Limited | 15.5 |

DIAMOND AND PLATINUM

| 1990/91 | Stock | Price | 1990/91 | Stock | Price |
|---------|---------------|-------|---------|---------------|-------|
| 259 | SAHRI Limited | 15.5 | 259 | SAHRI Limited | 15.5 |
| 260 | SAHRI Limited | 15.5 | 260 | SAHRI Limited | 15.5 |
| 261 | SAHRI Limited | 15.5 | 261 | SAHRI Limited | 15.5 |
| 262 | SAHRI Limited | 15.5 | 262 | SAHRI Limited | 15.5 |

CENTRAL AFRICAN

| 1990/91 | Stock | Price | 1990/91 | Stock | Price |
|---------|---------------|-------|---------|---------------|-------|
| 263 | SAHRI Limited | 15.5 | 263 | SAHRI Limited | 15.5 |
| 264 | SAHRI Limited | 15.5 | 264 | SAHRI Limited | 15.5 |
| 265 | SAHRI Limited | 15.5 | 265 | SAHRI Limited | 15.5 |
| 266 | SAHRI Limited | 15.5 | 266 | SAHRI Limited | |

Angry ANC deputy president threatens to turn South Africa upside down

Mandela warns EC not to lift sanctions

By Patti Waldmeir in Johannesburg

MR Nelson Mandela threatened yesterday to turn South Africa "upside down" unless the European Community rescinded its decision to begin lifting economic sanctions against Pretoria.

Addressing a press conference to mark the anniversary on Monday of his release from 27 years in prison, an obviously angry Mr Mandela complained that the African National Congress had not been consulted about the EC move.

The deputy president of the ANC warned of a popular uprising against any decision to review sanctions, saying: "Once our people realise they have no friends in the international community it will be very difficult to control them, so angry will they be."

Mr Mandela warned European businessmen that "if the European Community decides to review sanctions... the situation of the country will be so unstable that no serious businessman will want to invest."

While Mr Mandela was arguing for sanctions, Mr Barend du Plessis, South Africa's

finance minister, was warning in Cape Town that his country could become ungovernable by the mid-1990s unless economic growth resumed now, with renewed access to international capital.

"Unless we can now very rapidly increase growth... by the mid-1990s it will be virtually impossible, for anybody to govern this country on account of the number of unemployed."

The ANC has been fighting a rearguard action on sanctions for months, insisting that they be maintained, while the international community has moved inexorably towards lifting them. Yesterday, Mr Mandela said the ANC would not call for sanctions to be lifted until all apartheid legislation had been scrapped and blacks had the vote - conditions which may take years to meet.

Although he conceded the movement might make a "declaration of intent" earlier on.

The EC, he said, was making an "error of judgment" in wishing to reward President F.W. de Klerk for his recent commitment to repeal most

remaining apartheid legislation within months.

The EC has said it will begin preparations to lift sanctions as soon as legislation is presented to repeal the Group Areas Act, the Land Acts and the Population Registration Act, the remaining cornerstones of apartheid.

Mr Mandela's threats are likely to have been partly rhetorical. Attendance at recent ANC rallies, including one timed to coincide with Mr de Klerk's speech, has been relatively low and the atmosphere jovial. The ANC would have difficulty organising a huge demonstration to protest against EC action.

Mr Chris Stals, governor of the South African Reserve Bank, the central bank, said foreign investors were already taking a more positive view, "but it will take some time to restore business confidence."

Mr Stals and Mr du Plessis said they would maintain tight monetary and fiscal policy in spite of political pressures to stimulate the economy, which is in recession.



Barend du Plessis: will retain tight monetary policy

Fimbra acts to stem insolvency fear

By Richard Waters

THE spectre of looming bankruptcy was played down yesterday by Fimbra, the self-regulatory organisation for independent financial advisers, although it announced a fifth of its workforce was being made redundant.

A statement from Fimbra, one of the City's five investment watchdogs, added that an overhaul of the regulatory system was needed to put it on a firm financial footing.

Fimbra yesterday announced 40 redundancies though it said this would not reduce the level of investor protection.

The statement from Sir Gordon Downey, Fimbra's chairman, followed disclosure earlier in the week of a confidential letter from him to Mr John Redwood, corporate affairs minister, saying insolvency was "a very real threat".

In the letter, Sir Gordon said difficulties arose because Fimbra's members could face high compensation claims which may put many out of business or force them to become agents of life assurance companies - in turn undermining Fimbra's finances.

Sir Gordon's statement said:

"Insolvency is a theoretical possibility, but not a probability which we envisage, and would only occur if remedial steps are not taken on lines which we have already proposed."

He referred to his earlier call to bail out Fimbra members, and restructure the investment regulatory process.

The Securities and Investment Board, the chief investment watchdog responsible for authorising the operation of self-regulatory organisations, also played down the danger to Fimbra's finances.

The regulator also played down the fear that some customers of failed investment firms could find themselves uncovered by the Investors Compensation Scheme. Fimbra had said it may have a legal case for members to refuse to pay compensation for losses which resulted from actions before August 1988, when the scheme began. However, SIB said in its counsel's opinion the retrospective nature of the scheme was legal.

Background, Page 5
Editorial comment, Page 8

Thorn-EMI makes offer for control of Thames Television

By Alice Rawsthorn

THORN-EMI, the music, lighting and defence group, yesterday made an offer for control of Thames Television, the UK's largest independent television company.

The offer, which values Thames at between £124.1m and £148.9m, should end uncertainty over the future of a 56 per cent controlling holding in Thames held jointly by Thorn and BET, the industrial services group. The stake, which was put on the market last spring, has failed to attract a buyer.

Thorn's offer for BET's shares, which triggered a bid for the whole group, will prevent uncertainty over the stake from jeopardising Thames' chances of retaining its franchise in the auction of ITV licences.

BET has agreed to sell its 28 per cent stake to Thorn for 250p a share and two performance-related payments of up to 50p a share. This values the BET stake at between £34.5m and £41.4m. Thames' shares were worth 475p on the day Thorn and BET put their stake on the market.

The full bid by Thorn was triggered by Stock Exchange rules which compel anyone with more than 25.9 per cent of a company's shares to bid for the remainder. However, Thorn hopes that other shareholders will retain their shares - Thames' independent directors are advising them to do so.

Ms Brown Maddox, television analyst at Kleinwort Greaves, said the price reflected the "stratified circumstances" of BET, which has denied rumours about its stability. Ms Maddox said the offer price of 300p a share equated to the break-up value of Thames if it loses its licence.

Thorn plans to raise £20.4m through a placing of 13m new shares at 625p each for which SC Warburg, the merchant bank, is arranging subscription. Thorn's shares fell by 18p to 633p on the announcement and Thames' by 20p to 271p.

Thames, known for programmes such as *Minder*, may face competition in the auction of ITV licences from counter-bidders, which could include Carlton Communications.

Yesterday, Thames disclosed a fall in estimated pre-tax profits to £11.5m in 1990 from £26.4m in the last nine months of 1989. Its UK advertising revenue has been hit by the recession and Reeves Entertainment, the US production company acquired last year, is performing poorly.

A Thorn in the side, Page 7

Thorn gambles on the box

Thorn EMI hardly needs to underline its reputation for putting businesses on the market and promptly taking them off again. With yesterday's bid for Thames Television, the company appears to be going one further and playing a risky game of double or quits. Thorn might argue that its existing 28 per cent stake left it with little choice. With Thames' franchise up for grabs in April, its ownership must be sorted out quickly. Thorn's only alternative was to let the situation drift and watch the value of its stake decline.

All will be well if the TV judges come up with the right answer in April. But with such a Carlton Communications presumed to be after the London weekday licence, Thames is scarcely home and dry. That attaches some weight to the question of what Thames is worth without the franchise, a subject on which more is promised in the formal offer document. Book assets of around £50m are implied by the figures disclosed yesterday. Thames' independent directors doggedly maintain that the underlying value is considerably more.

Thorn's gamble may yet come off. In the longer term, it will do nothing to dispel City confusion over its strategy. And in being forced to make a full bid, Thorn may find itself following such as Sir Ron Brierley in ending up with much more of a company than originally intended. Minority shareholders in Thames may want to stay for the ride. But last night's price of 271p - 21p above the up-front payment already includes an element of hope deferred.

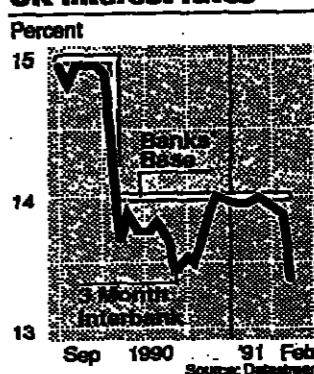
Markets

Evidence on the depth of the UK recession was piling up again yesterday: commercial vehicle sales in January down 31 per cent, British Airways' short-haul passenger traffic down 11 per cent. The market's expectation of a base rate cut grows accordingly. A fortnight ago, three-month money was at 14 per cent. It is now at 13 per cent. The sterling futures market is betting that it will be under 13 per cent by the Budget.

There is an interesting element of wishful thinking here. The market is well aware that a full-point cut might not be possible without a sterling devaluation. But the point has been reached at which both the gilt and equity markets can contemplate devaluation with equanimity or even enthusiasm. The scale of the recession

FT-SE index: 2,245.2 (+1.5)

UK interest rates



is taken to mean that both currency and interest rates can come down without the risk of inflation. It is precisely this calculation which has prompted Wall Street's sharp rise this week in response to the cut in the US discount rate and the weakening dollar. The crucial element here is that for the UK to devalue at the first whiff of grapeshot would finish its credibility in the system. In effect, to devalue would be to leave the ERM. The consequent blow to Mr Major's political standing would doubtless raise the chances of a Labour victory. It would also deprive the market of one of its best guarantees against a Labour government reverting to old-style monetary laxity.

Of course, Mr Major is in a jam either way. As the market is well aware, the Tories' standing in the opinion polls moves closely in line with interest rates and unemployment. To that extent, it might pay to duck out of the ERM now, slash rates by three or four points and go for a snap election. The alternative is to let the system operate as intended, take the chance of overkill and hang on until 1992. If Mr Major is the rational creature he appears to be, he might prefer the latter on the basis of being as well hung for a sheep as a lamb.

Regulators

At least some things never change. For the third time in as many years, there is a crisis at Fimbra, which regulates the UK's shrinking band of high street investment brokers. In 1988, the trouble was about money and Fimbra had to go cap in hand to the insurance companies for £1m. In 1989, the problem was rebellious backwoods Fimbra members trying

to dump the chairman. Now the issue is money again. Fimbra's members are having as hard a time as anyone else. But now they are being asked to pay up to £19m to meet the compensation bills arising from financial collapses like Dunstable or the Levitt Group. The danger is that scores of members will just quit Fimbra, leaving it deeper in the mud.

Perhaps this crisis is different. Fimbra's bright-eyed new chief executive wants to sort out Fimbra and its finances once and for all. Yet outsiders must feel rather cynical about it. Ever since the Financial Services Act was passed, the creation of a sensible investor protection system has been hamstrung by a series of interminable wrangles between special interest groups with the real issues hidden in dense technical jargon.

It is hard to see why anything will be different now. With Barlow Clowes a recent memory, the government has every reason not to get involved. The life assurance companies never really wanted the FSA and cannot justify spending much more on it. The real power lies with the Securities and Investments Board. It is very hard for the SIB to tolerate one of its subsidiaries selling it what a mess the whole system is. Stand by for another short-term fudge.

UK insurance

Investor relations may be much in vogue. But the cost for Legal and General yesterday of formally telling the market what most analysts already knew was a 10p fall in the share price to 386p. Admittedly, the statement puts figures on some of the familiar problem areas of general insurance like substandard and mortgage guarantee claims, provoking yet another sharp revision of profit forecasts for last year. Hopes of between £80m and £90m pre-tax have now been reduced to more like £65m.

What is odd about the market's reaction is that warnings in plenty have been sounded in the last few weeks by the companies, with little or no effect on their share prices. Investors seem to have forgotten about 1990 and turned their attention to the next upswing in the cycle. The insurance sector as a whole, though, is rated at a 7 per cent premium to the market overall. That could make it vulnerable when fund managers start to switch their focus from traditionally defensive stocks to the bombed-out recovery plays.

War forces easing of airline rules

By David Gardner in Brussels

THE European Commission is willing to relax a range of regulations on airlines temporarily, to help them through the drop in business caused by the Gulf war, Sir Leon Brittan, EC competition commissioner, said yesterday.

The measures he outlined respond to most of the items on the shopping list the large European carriers brought to Brussels last week and are expected to be presented formally within two weeks.

Sir Leon told an institute of Directors meeting in London that applications for fare changes and the approval of joint ventures would be speeded up to enable airlines to respond quickly to events.

Capacity-sharing between two airlines, which the commission had cracked down on as a means by which airlines carved up routes, would be considered sympathetically for the next three months if consumers did not suffer and airlines with lower costs were not frozen out.

This will not entirely satisfy

AILING east German airline Interflug is to be closed because efforts to sell it have failed, Trenkandanstalt, Germany's privatisation agency, said yesterday. Reuter reports from Berlin.

Industry officials said the decision could open the way for a takeover.

The carriers. One airline industry official said that, however long the Gulf war lasted, the fall-off in traffic could continue far longer if passengers did not fly through fear of terrorist reprisals.

On state aid - the most controversial issue - Sir Leon said each case would be considered rapidly after details were given to the commission.

Sir Leon however stressed: "The community does not have the slightest intention of reviewing or delaying any of our liberalisation or competition policies in air transport."

Lockheed set to take control of Lufthansa, Page 5

CHIEF PRICE CHANGES YESTERDAY

| FRANKFURT (Dm) | | |
|--------------------|--------|---------|
| Bayer-Vor | 358 | + 11.5 |
| Kauffhol | 483 | + 19 |
| Lahnmeier | 470 | + 24 |
| Metallgesellschaft | 405 | + 19.5 |
| Volkswagen | 339 | + 9.8 |
| NEW YORK (\$) | | |
| AMR | 56 1/2 | + 1 1/2 |
| Casco Sys | 58 1/2 | + 1 1/4 |
| UAL | 138 | + 1 |
| Falco | | |
| Angen | 77 1/2 | + 2 1/2 |
| LA Gear | 17 1/2 | + 1 1/2 |
| Goodyear T&R | 16 1/2 | + 1 1/2 |
| PARIS (FFr) | | |
| Ries | | |
| Cie Bancaire | 510 | + 20 |

New York prices at 12.30

| LONDON (Pence) | | |
|----------------|--------|---------|
| Cookson | 114 | + 9 |
| Elbief | 15 | + 2 |
| Elam | 127 | + 10 |
| Finkester Sids | 170 | + 15 |
| McCarthy & St | 55 1/2 | + 7 1/2 |
| NorWest Bank | 306 | + 10 |
| NorWest | 118 | + 11 |
| Lafite-Royce | 148 | + 6 |
| Telford | 71 | + 5 |
| Traf House | 214 | + 8 |

WORLDWIDE WEATHER

Outlook: western England, Wales, western Scotland and Northern Ireland will be brighter with scattered snow showers. The east will be bitterly cold with snow showers, but winds will become lighter. Outlook: remaining cold, but snow showers will be less widespread.

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Iraq

Continued from Page 1

against them. Life will become progressively more unpleasant.

Of the Iraqis' 500 front-line combat aircraft, the allies have destroyed 100 on the ground or in the air, while 60 are trapped under damaged shelters or on unusable airstrips.

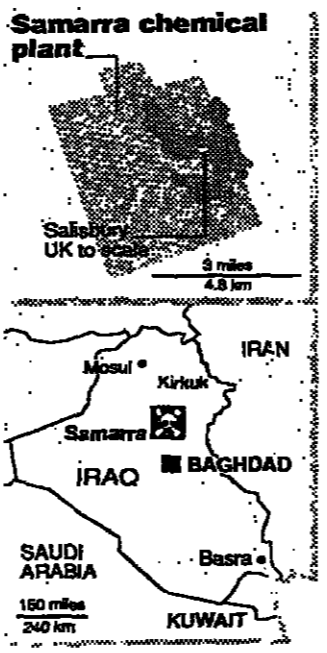
In Riyadh yesterday, Major General Robert Johnston, Chief of Staff of US Central Command, announced that 13 more Iraqi aircraft had fled to Iran, taking the total to 147.

With the war now entering its fourth week, Mr King emphasised the sheer scale of breaking President Saddam Hussein's war machine. "It has been difficult to demystify the awful colossus that was and is the Iraqi war machine," he said.

He said that when allied aircraft had hit an ammunition dump near Basra last week causing an explosion described by US commanders as volcanic, only 137 of the 1,000 stores at the site had been destroyed.

Aware of criticism that allied aircraft were attacking a wide range of targets including infrastructure used by civilians, Mr King said the coalition had deliberately not attacked Iraq and Kuwait's water supply. Shortages in Baghdad had been caused by "collateral damage" from bombing and shortages of electricity for pumping.

Iraqi deserters are continu-



ing to trickle into Saudi Arabia. The total is now about 940, including 50 officers. Most of the prisoners of war are in Saudi Arabia. Lieutenant General Khalid Bin Sultan, the commander of the Saudi forces, said yesterday that interviews with deserters had revealed the existence of an Iraqi "execution battalion." The job of this battalion was to deter would-be deserters.

Saab Auto

Continued from Page 1

deficit included extraordinary losses of SEK1.39bn largely related to provisions for the Malmö closure and other restructuring. The decline in the dollar caused exchange losses of about SEK300m.

The closure of the Saab plant in Malmö is a setback for Sweden's industrial policy and for the country's Social Democratic government, which is facing a difficult general election in the autumn with its popularity at a low ebb.

The government helped to persuade Saab in early 1989 to locate the plant at Malmö with the offer of state subsidies to cushion the blow of the closure

of the Kockums shipyard in the city, the country's last merchant shipbuilding facility.

Sweden's industry minister Mr Rune Melin said he deeply regretted Saab's decision, particularly as it would lead to a serious employment problem in Sweden's third largest city.

As a consolation, Saab announced yesterday that it had won a contract from General Motors Europe to supply up to 65,000 manual gearboxes a year from 1992, which will double output at its Gothenburg transmission plant. The contract is a further sign of Saab's growing integration into GM's European operations.

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مكتبة القرآن الكريم

Weekend FT

SECTION II

Weekend February 9/February 10 1991

Renaissance in Dresden

KURT RÖNSCH can no longer contain his emotions. Sitting in his half-derelict, half-reconstructed factory on the fringes of Dresden in what used to be East Germany the 73-year-old businessman struggles to choke back the tears as bitter memories of a life that has passed almost entirely in the grip of war or tyranny well up.

In 1972, in its last wave of nationalisations, East Germany's communist government seized control of Rönisch's family company, falsifying the books to deprive him of compensation and installing as his boss a party member who knew nothing about the business but owed his position to his loyalty to the regime. "I was not in the party so I got nothing," says Rönisch.

Last year Rönisch exercised the right of former owners to repurchase nationalised properties. He began to buy back the electrical household equipment manufacturing concern from the Treuhand, the German government agency which has taken control of the 27,000 businesses in the east and is in the tortuous process of privatising them.

Even now Rönisch's struggle with the Treuhand's civil servants, many of them former party officials in the government which oppressed him, is not over. Having spent months establishing that his claim to the factory was legitimate and proving that he had a business plan to ensure employment levels at the plant he still has to come up with DM1m to complete the purchase.

Fifty years ago Rönisch was typical of the many small businessmen who had helped to make the area of Germany around Saxony and Thuringen one of Europe's most vibrant centres of industrial capitalism. Rönisch's courage in taking on the task of rebuilding his business is a sign that the traditions of the area are reasserting themselves.

Members of the 350,000 strong Soviet army who are to be seen on the streets are a reminder of the past, their presence made all the more ominous by the threat of civil war looming in their homeland. But insecurity is more deeply rooted than this. East Germans are finding that although their revolution was largely peaceful it is far from painless. They face the threat of mass unemployment, the steady elimination of state subsidies for everything from rents to rail fares, and the challenge of rebuilding not just their roads but also their lives. It is a task which for many will involve migration, for others retraining and for most coping with the tensions surfacing in a society in which the market, not the party, will determine who prospers.

There is no mistaking the envy with which some of his fellow workers view Rönisch's endeavour. Wolfgang Schubert, who works at the Dresden branch of the Treuhand, says bluntly that Rönisch is among the lucky ones. He is pur-

chasing what is, by east German standards, a good property not far from the city centre, half of which at least has been modernised because its output was mainly for export. Schubert does not make the point, but speculation, especially property speculation, is one of the foundations on which the new east German economy is being built.

Rönisch, however, wants to re-establish the business he founded before the Second World War and to pass it on to his son, who has agreed to leave his job with the US computer company NCR in Augsburg in the west to join him.

The motives of those who are buying businesses in east Germany differ, but some patterns are emerging. One is the extraordinary amount of support from the established capitalist concerns in the west.

Rönisch has been given an annual order for 120,000 electric toasters - his company's only product - from WIK, a company in Essen which is providing him with a more modern production line, which it is moving from a factory in Spain. Productivity has climbed since he took over. The rise is in large measure a reflection of past indiscipline on the factory floor.

"We produced 1,000 toasters in June of last year. In December it was 2,250," he says proudly brandishing the neatly handwritten worksheets and adding: "The workforce has only risen from 160 to 200 people."

Support from the west is common. Deutsche Bank, the largest German bank, and Dresdner Bank together bought control of Kreditbank, the leading east German banking concern. The two divided Kreditbank and its branches between them and took on its staff, without interviews. Deutsche Bank has sent 1,000 employees east, in effect setting up a parallel top management structure alongside the 8,000 workers it acquired in the takeover.

But European businessmen watching economic developments in east Germany say that more than economic calculations lie behind the strenuous efforts of west German companies to rebuild the east. "They would never do it in any other country," says one who sees a patriotic impulse at work. "They give east German concerns management specialists for weeks and months, they take east Germans back to the west to train them." It is the mirror image of the efforts which the German federal and state Governments are making.

This is not to suggest that the west German companies are behaving in a way which is inconsistent with their long-term profitability. The sheer scale of the commitment makes that clear. The Ifo Economic Research Institute in Munich estimates that manufacturing industry alone will invest some DM10bn in the former DDR this year.

In spite of this heavy commitment of the corporate sector, the

As east Germans struggle to meet the challenge of market economics, Stewart Fleming meets the capitalists who came in from the cold

coming months will be hard ones in the east.

This year unemployment will soar to around 20 per cent as standstill agreements with trade unions run out and more and more companies begin to dismiss workers who they have been keeping on the books even though there has been no work for them. It is widely assumed that most of the 1.7m

workers categorised as working short time are not needed at their workplaces and will be joining the half million already on the unemployment list.

Some will be having the same thoughts as Andreas Pöhl, a trained engineer employed now as a porter at Dresden's Bellevue Hotel. "Everything is very uncertain now. I want to go to the west where I would earn three times as much," he says.

The brutal reality, according to a businessman working for a west German company in Dresden, is that the anticipated unemployment is needed "to drive people to new jobs."

Some fear that the discontent aroused by rising unemployment will be aggravated by the need to import labour to undertake the massive reconstruction of roads, railways and houses. Many east Germans who will lose their jobs will not want to take on low-paid manual labour. Others have either already left for the west, which is suffering from a labour shortage or, are planning to do so.

Dr Norbert Walter, chief economist of the Deutsche Bank, is one of those warning that labour shortages in Germany will mean that more foreign workers will have to be brought into the labour force.

It is a development which could revive the controversy about the role of *gastarbeiter* (guestworkers) in the '60s and '70s. Some suggest that the most likely source of such labour is Poland. Already, says one west German banker, the influx of Polish prostitutes into Berlin is causing tension.

Rising unemployment will be only one of several sources of intensifying social tension in the eastern states of Germany as the safety net which smoothed the transition to a unified Germany and Chancellor Helmut Kohl's path to re-election, is removed.

The fierce controversy surrounding the privatisation process in the east seems destined to intensify. The Treuhand is under attack for moving too quickly in the eyes of some, too slowly in the eyes of others, in selling off the businesses and the property in its portfolio.

The right of repurchase granted to some old owners, including many who are now foreign citizens living abroad, is a legal minefield for would-be purchasers. The Treuhand's wish to sell to purchasers who will maintain employment levels and have a business plan with a long term future rather than just a desire to turn a quick speculative profit, coupled with the problem of valuing assets in an economy which has no functioning market system, are just some of its problems.

It is criticised not just for selling out the best business too cheaply but also for having disposed of others of the old regime.

The charge of "mismanagement" levelled against the Treuhand is met by one Frankfurt banker who says the way the privatisation process is being conducted means that it is impossible to manage well. How can a few hundred civil servants, most of them former East German citizens with no business

experience, managed by a handful of west German businessmen and politicians, hope to reconcile the conflicting objectives which they have been charged with fulfilling? The impossibility of the task means that privatisation will be an open wound in the new Germany for months, perhaps years.

Managers running some of the businesses have quickly discovered the difficulties and the disadvantages which burden them as they face the challenge of competing in the capitalist economy.

Hartmut Kummrower and his top technical assistant Wolfgang Lindner are running not a branch of an east German conglomerate as before, but the privatised subsidiary of the Munich-based building concern Aecher and Sohn.

Lindner, a sophisticated and energetic 40-year-old whose spirit has not been dulled by the years of intimidation in a society in which as many as 2m people may have been spying on their families, friends and neighbours, says that

east Germans do not have basic capitalist skills in accountancy, the law and marketing. But the biggest deficit is the lack of self-confidence. Echoing the judgment of a western businessman in Dresden he says that the east of the country is a region which lacks leaders.

"Before we were told what to do. Now we can decide for ourselves what direction to take. But we lack the courage and self-confidence to make decisions. We have to learn to take responsibility ourselves."

Just how difficult that can be is underscored by a banker who says that, lacking experience of a market economy, some east Germans display an almost childlike naivety about borrowing money, wanting either huge amounts which bear no relationship to their ability to repay, or such modest sums it is hard to understand why they think the money can be adequate.

The rapid adjustment to the new reality which is facing them will create stress for a people who are already under more pressure than perhaps they realise. "People are easily wounded, they lack a political identity. They have lost a country and like a child who suddenly discovers the father is a thief, they are sometimes consumed with guilt about the past and about the wasted years," said a western businessman working in east Germany.

Old men such as Rönisch only have the time to mourn the past. Lindner is young enough to face up to the need to conquer it.

Driving past the ruins of a city still marked by an act of Allied vengeance in the Second World War, he says "we must not fight over the past", recalling the nights when he demonstrated for freedom on the streets of Dresden just over a year ago, he adds, "certainly plenty has happened which was unjust. Businesses have been sold to the wrong people... the party members who bought them were not actually stupid. But in some ways it is similar to the post-war period when for example, judges who had worked for Hitler were still deciding between right and wrong when the war was over. Of course those who failed in their responsibilities must be punished, but we cannot punish them endlessly. We must move on. We do not have a surplus of able people. It is unrealistic to think about founding a perfect new society."

The wintry forecast for depositors

THIS HAS been a good week for the London stock market, although perhaps not buoyant enough to allow investors to forget that they are still showing losses over the past year.

The dreary performance of equities has become a serious problem for unit trust companies and stockbrokers seeking to sell investments to the public.

Traditionally their sales patter has been that, whatever the stock market's ups and downs, over the long term equities will deliver worthwhile extra performance over low risk alternatives, notably building society investments.

You can define long term how you like, but after five years private investors get very restless if things are not going well, especially when they have to endure volatility such as that experienced during 1987.

And in the past five years building society depositors have, on the whole, done better than unit trust investors. Perhaps that is why the stock market has become so frenzied this week at the prospect of lower interest rates.

According to the magazine *Money Management* £1,000 invested in a Halifax savings account at the beginning of 1986 would have rolled up to £1,533 by the end of 1990, with income reinvested, whereas the average unit trust investment would only have climbed to £1,436.

This period was by no means an exceptionally bad one for equity investors. Indeed, an average unit trust rate of

return (capital growth plus net income) of 7.5 per cent gave a reasonable margin over average UK inflation, which works out to have been 6.2 per cent a year.

One problem, however, is that the typical unit trust has been burdened by ever-rising charges.

The front end sales charge is now often 6 rather than 5 per cent, and the annual charge 1.5 rather than 1 per cent, not counting further deductions which may be made from the fund for dealing, custody and so forth.

So over a period of five years an investment in a unit trust is likely to underperform the underlying stock market by 2.5 to 3 per cent a year, simply on grounds of costs.

The All-Share index actually "provided" an annual rate of return of 11.2 per cent in this period, 4 per cent ahead of inflation.

This is not very different from the range of 4.5 to 6 per cent which the recent long-term Barclays de Zoete Wedd study of investment returns since 1918 suggested was a reasonable expectation of the real return on equities likely to be obtained by a standard rate taxpayer.

In fact quite a few UK general and income unit trusts got reasonably close to the All-Share performance over the past five years and managed to beat the building society returns.

But many of the so-called "growth" trusts were trapped in the shares of small companies, and performed dreadfully.

The Long View



Solid real returns have given rare rewards to retail depositors in the past five years, while the stock market has often struggled. But equity investors scent a new phase...

As for overseas funds, Japan and Europe did quite well, but there are still 500 unit trusts in the international growth and North American sectors, where returns were generally poor. But although unit trusts have their own particular prob-

lems, the other side of the story is that short-term interest rates have been very hard to beat in the past few years. If you can roll them up gross in a Tessa, so much the better.

According to the Halifax Index used by *Money Management* the annual real return on a building society deposit has averaged about 2.5 per cent over the past five years.

By historical standards this is a phenomenal figure: during the 1970s there was a negative annual real return of 6 per cent overall on building society share accounts, peaking with a shocking 14 per cent loss of purchasing power by savers during the single year 1975. Even though the value of money dropped by 30 per cent during the 1975 deposit rates were held to about 7.5 per cent net through controls and cartels.

That was the escape route from the monetary explosion of the early 1970s: the real money supply had to be contracted, and a fall in the value of money was the mechanism. Now the government is grappling with the consequences of the monetary explosion of the late 1980s.

Desperately it is sustaining real interest rates at positive levels because if the currency is subject to a dollar-style collapse, and inflation surges again, the Conservatives will be surely swept away at the next General Election. But how, then, is the real money supply to be reduced?

The damage being done to the corporate sector is obvious enough. The recovery in com-

pany profitability which was such a feature of the 1980s is being rapidly eroded: from over 15 per cent in 1987 the share of gross trading profits in GDP had fallen to 10.9 per cent by the third quarter of 1990. True, the stock market does not appear to have noticed this yet, but British investors should have taken heed of the experience in the US.

There the stock market is being sustained by currency depreciation and interest rate cuts, and in local currency terms is about 7 per cent ahead of a year ago - but to a British investor that gain has been more than eliminated by a 16 per cent loss on the dollar.

In Britain the crunch is now coming for the high interest rate strategy. The way things are going the real money supply will be reduced by defaults and a contraction of the financial system. But unanticipated risk creates the potential for panic among depositors: that is why the American banking system reforms proposed this week failed properly to address the problem of over-generous deposit guarantees that have sapped the moral fibre of US financial institutions.

So the beleaguered unit trust managers in Britain may have good reason to hope that the emergence of high interest savings accounts as apparently unbeatable competition may prove temporary. Building society investors, meanwhile, had better watch out. That, at any rate, was the glib assumption behind this week's equity market action.

| | | | |
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| Food & Wine: Jugged hare, champagne and emperor's dumplings | VI | Arts: Clement Crisp halls Kenneth MacMillan's new ballet | XIII |
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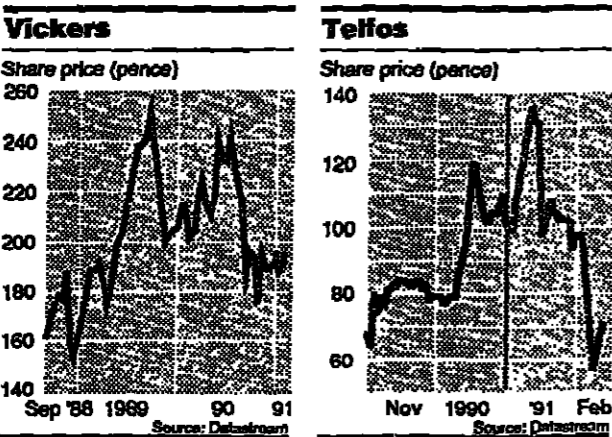
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مكاتب الأمل

MARKETS

FINANCE & THE FAMILY: THIS WEEK



Brierly sells 20% stake in Vickers

One of London's longest-running boardroom battles finally came to an end on Tuesday when Sir Ron Brierly, the New Zealand entrepreneur, sold his 20 per cent holding in Vickers. Sir Ron's investment vehicle, IEP Securities, built up the stake in September 1988, and last year made ambitious proposals to sell off the company's Rolls-Royce Motor Cars business.

Sir David Plastow, chairman and chief executive of the company, which also makes Challenger tanks, successfully persuaded shareholders to vote down the proposal in April last year. The disposal of the stake, worth just over £100m at its sale price, had been widely anticipated since then. Sir Ron lost £5m on the deal. *John Authers*

Hostile £38m bid for Telfos collapses

Steel castings company William Cook's hostile £38m bid for Telfos, the Leeds-based engineering group, collapsed on Thursday, after an auditors' report revealed greater problems with the target company than had previously been suspected. At this point the market only valued Telfos at £18.1m, following a slide in Telfos' share price from 98p to 57p on the back of the report.

The Takeover Panel took the unusual step of allowing William Cook to drop the bid, because the report, by Price Waterhouse, showed a "material adverse change" in Telfos' financial position. Shares in both companies rallied once the bid was abandoned, with William Cook rising 11p to 220p, and Telfos 9p to 66p. *John Authers*

Fimbra in danger of going bust

Fimbra, one of the City regulatory bodies set up to improve investor protection, is in danger of going bust as the collapse of some of its members has resulted in substantial compensation claims.

Fimbra, which stands for Financial Intermediaries, Managers and Brokers Regulatory Association, covers brokers and independent investment advisers selling financial products and services to the public. Sir Gordon Downey, chief executive of Fimbra, warned that in order to survive, the organisation would have to be bailed out. See Section 1, Page 5.

Labour studies tax incentives for low paid

Labour is planning a scheme to encourage saving by the low paid, it was announced on Wednesday. John Smith, the party's economic spokesman, has gathered a number of experts to work on the project, which would aim to expand the total number of savers in the UK.

Tax Exempt Special Savings Accounts (Tessas) are welcomed by Labour but the party fears that the new scheme has only attracted relatively affluent people already held building society accounts. Labour's scheme would probably create tax incentives for workers to deduct money from their pay, and commit savings for a specified period. *John Authers*

Life assurance and pensions business at record levels in 1990

The UK life assurance industry still managed to improve its new life and pensions business to record levels last year despite poor stockmarkets worldwide and a growing recession in the UK. New annual premiums were 7 per cent higher at £3bn and single premiums up 28 per cent to £7.9bn. Personal pension sales were strong during the year, particularly single premiums up nearly 60 per cent to £2.1bn. However, the new business results from individual life companies show that some of them have not fully participated in this overall improvement, an indication that selling life assurance products has become much tougher. *Eric Short*

Ivory & Sime links with NEL Britannia

Ivory & Sime's British Assets Trust is being linked to an NEL Britannia pension plan in the latest attempt to market investment trusts on a wider basis. Late last year, Foreign & Colonial was linked in a similar way to policies offered by Skandia Life. *Philip Coggan*

Capital launches Trafford Park trust

Capital Ventures, the Cheltenham-based financial services company, has launched an enterprise zone trust to invest in commercial property in Trafford Park, Manchester, and Tyne-side. The closing date for investments in the trust, called CERT VII, will be February 28, although the company pointed out that their last EZT was oversubscribed before its closing date. Capital Ventures (0242-584380) is hoping to raise £5m from the deal.

Greig Middleton, the stockbroker, last week announced that its EZT, investing in office property in Dundee, was already fully subscribed. EZT investments are subject to full tax allowances, and tax relief can also be claimed on loans taken out to fund the investments. *John Authers*

In troubled times let ratios be your guide

THE SUDDEN revival of the UK stock market this week probably took quite a few private investors by surprise. Is it a false dawn or a sign that the bear market is over?

Certainly, there is little hard news that can justify such optimism. The Gulf War continues, with a bloody and possibly lengthy ground war about to start; and the economy is sliding deeper into recession.

On the other hand, the bulls, apart from their interest rate hopes, can point to the fact that the FT-SE 100 index first breached the 2,000 level in 1987. Although it has been up and down several times since then, the market has effectively gone nowhere for four years.

The bears, however, are still worried by the expected length and severity of the economic slowdown and by the prospect of a crisis in the financial sector, which could approach the problems faced in 1974.

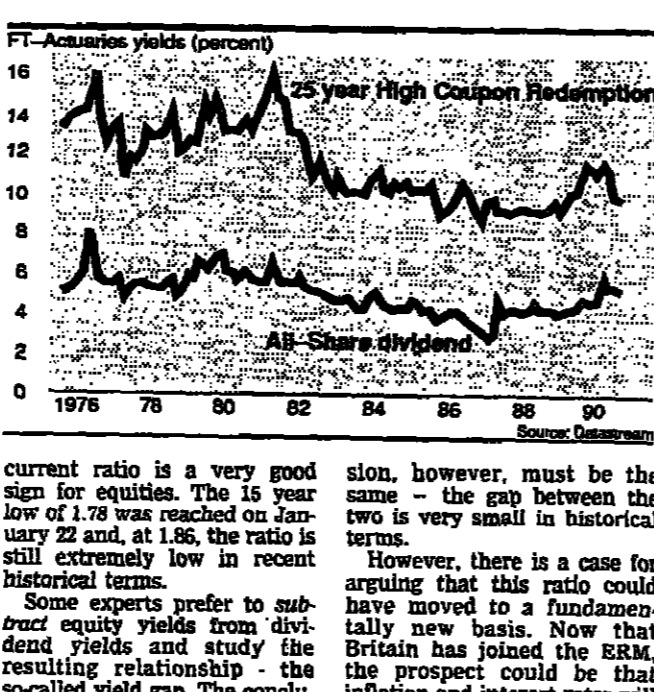
At times like these, private investors may well wish to

consult those trusty yardsticks - the valuation ratios. The graph shows the relationship between the returns on gilts and shares (known as the yield ratio), which is achieved by dividing the redemption yield on 35 year gilts by the dividend yield on the All-Share.

At any time, investors have a choice of the higher initial yield, lesser credit risk but lower growth potential of a gilt or the lower yield, higher risk, but greater growth prospects of a share. When the ratio is low, then investors are preferring the security of gilts; when it is high, they have opted for the lure of shares.

For much of the last 15 years, the ratio has fluctuated in a narrow band between 2.0 and 2.5. The average for the period is, in fact, 2.32. The ratio dipped slightly below 2 in 1982 - the start of a bull market - and reached a peak of 3.34 on October 2, 1987, just two weeks before the Crash.

At first sight, therefore, the



current ratio is a very good sign for equities. The 15 year low of 1.78 was reached on January 22 and, at 1.86, the ratio is still extremely low in recent historical terms.

Some experts prefer to subtract equity yields from dividend yields and study the resulting relationship - the so-called yield gap. The conclusion, however, must be the same - the gap between the two is very small in historical terms.

However, there is a case for arguing that this ratio could have moved to a fundamentally new basis. Now that Britain has joined the ERM, the prospect could be that inflation and interest rates will

fall to German levels. Inflation has been the great enemy of gilts and if it is defeated, or at least controlled, pension funds might easily increase their gilt holdings. Gilt prices would rise, and yields fall.

At the same time, the effort of squeezing inflation from the UK will reduce economic growth. Corporate earnings increases will be very slow, and equity yields could rise in consequence.

A narrowing of the yield gap in these circumstances is quite plausible. Until the late '50s, the normal relationship had been that yields were higher on equities than on gilts.

So it would be unwise to rely entirely on the yield ratio or gap when selling the bottom of the market. The other well-known ratios offer limited, but not overwhelming encouragement, for the bulls.

The yield on the FT-A All-Share has averaged 4.94 per cent in the 26 years since the

start of 1965. The long term study produced by Barclays de Zoete Wedekind seems to show that 5 per cent is a long term average dating back to 1919.

So the fact that the All-Share yields around 5.4 per cent indicates that shares look cheaper than average, but not dramatically so. They were a lot cheaper when they yielded 12.7 per cent in December 1974.

Since the start of 1985, the average price-earnings ratio on the FT-30 Ordinary Share Index has been 12. The current ratio of 10.4 is below that average, but still a long way above the 3.8 touched in the dark days of 1974.

So the conclusion for the private investor from the ratios seems to be: modest purchases of shares may offer long term value but this is not the right time to mortgage the grandmother to buy blue chips.

Philip Coggan

LONDON

Fragile optimism in the face of pain

OUR recently appointed Prime Minister said just 15 months ago, when he was the recently appointed Chancellor of the Exchequer, that if his anti-inflation policy was not hurting, then it was not working.

There can now be no doubt that the Government's policy of maintaining high interest rates to drive down inflation is hurting. What everyone agrees is a recession has rapidly deepened and spread from the south-east of England to every part of the UK.

This week has seen another wave of redundancies, along with news of an acceleration in corporate bankruptcies and a fall in consumer credit growth - perhaps the indicator most associated with the overheating of the late '80s. It might seem perverse in

these circumstances for the London market to rally strongly to its highest level since the invasion of Kuwait, with the FT-SE closing 79.5 points up on the week at 2245.2.

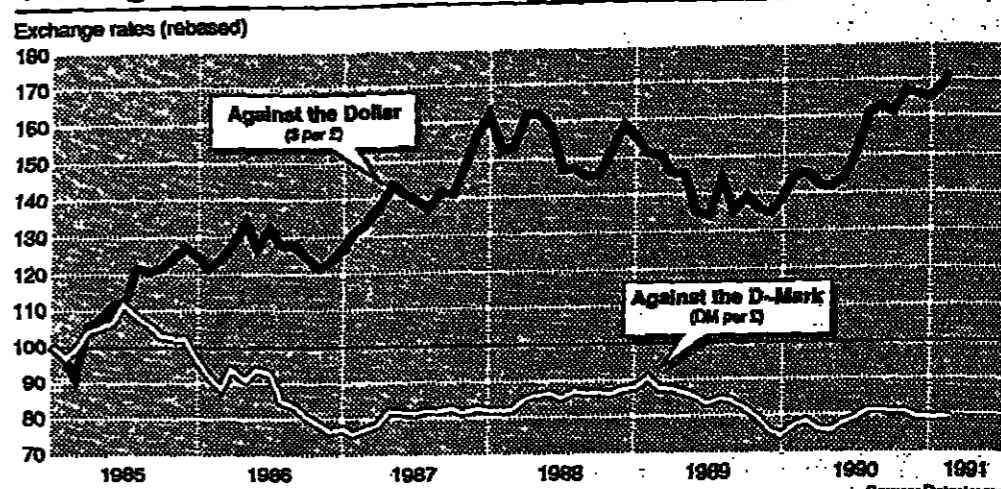
However, the City is merely fulfilling its traditional function of looking ahead - and believes it can see Britain following the previous week's example of the US Federal Reserve and cutting interest

rates in the near future. The futures market is already discounting a fall in the base rate of at least 1 percentage point by the Budget on March 15.

Political pressure is mounting on the Government to cut interest rates, not least from its own side. The Chancellor, Norman Lamont, met with concerned Tory backbenchers on Tuesday and the next day Major promised "sustained interest rate reductions" would be possible as inflation fell.

But the Government's room for manoeuvre is still constrained by its membership of the Exchange Rate Mechanism. Just over a week ago the Bank of England and the Bundesbank were obliged to intervene to keep the pound off its floor in the ERM,

Sterling



following the German increase in interest rates.

Even if the UK does start cutting rates soon, it will only be able to do so gradually. That will have little effect on another trend illustrated by sterling's breaching of the £2-per-pound barrier for the first time in a decade. As the chart shows, the pound has fallen roughly 20 per cent against the German currency since 1985, but has risen about 70 per cent against the dollar.

Although almost a fifth of UK companies operating profits are in dollars, there is a general feeling that British managers have become rather sophisticated at hedging their currency exposure and borrowing in dollars. However, Jaguar Cars cited the problems caused by the weak dollar when it announced it would shed 1,000 jobs and cut production of its luxury vehicles by two-thirds by the end of next month.

On the home front, Next - one of the ailing fashion retailers most associated with the high street glumness of the '80s - agreed to sell Grattan, its mail order company, for £140m to Otto Versand, a privately-owned German mail order group. Grattan represented a huge chunk of Next's remaining business, but the retailer had little choice to

raise cash to bolster its finances.

Another distress sale came from Davy Corporation, the UK's largest independent engineering contractor, which plans to sell its process operations in Germany to Metallgesellschaft for £51m. Davy, which saw its share price slump last year after a run of costly contracts, is to refocus on its metals business, servicing the gold, copper and steel industries.

Not all was gloom, however. Managers at Vickers, which makes Rolls-Royce cars and Challenger tanks, broke out the champagne after hearing that the New Zealand entrepreneur Sir Ron Brierley had finally sold his 20 per cent stake in the engineering group.

Last year Sir Ron had argued that Rolls-Royce Motors, Vickers' main profits-maker, would be worth much more if it was demerged and floated off, but his proposal was roundly defeated by Sir David Plastow, chairman and chief executive of Vickers.

The manner of the disposal was also encouraging, for City watchers. SG Warburg bought Sir Ron's 53m shares on Tuesday morning for 180p - only 5p below the market price. After a nail-biting day, Warburg succeeded in selling practically all of the shares at

181p - giving the brokers a handy profit of about £10m, and proving that cash-rich institutions can be tempted to buy keenly priced stocks.

The City was also buoyed by yesterday's bid from Thorn-EMI, the music, rentals and technology group, for the 25 per cent stake in Thames TV owned by BBT, the support services company. The bid, which would give Thorn-EMI control of Thames, signals the restructuring of the commercial TV companies which will be associated with the awards of new franchises.

The market will also be pleased to have another bid to consider, following the lapsing by William Cook, the steel casting group, of its £38m offer for Telfos, the railway engineering company.

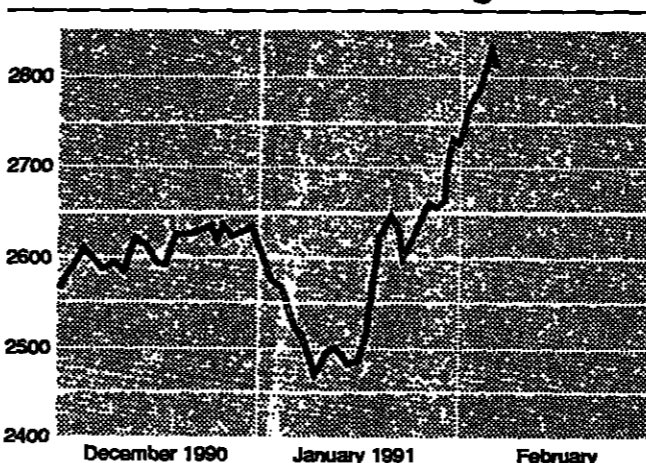
William Cook was allowed to withdraw its offer after a report by Telfos's auditors revealed a disastrous series of investments by the group outside its usual range of activities, against which it was forced to make provisions totalling £31m.

Hopes of interest rate cuts and the recent strength of Wall Street have pushed London ahead this week, but the market's optimism remains fragile - even disregarding all the uncertainties in the Gulf.

Andrew Bolger

WALL STREET
Buyers defy the prophets of gloom

Dow Jones Industrial Averages



corporate profitability and the ending of the credit crunch in US banking.

It all sounds lovely, a dream scenario. The stock market may have convinced itself of a moderate and short-lived recession, but not everyone agrees. Mr Jim Harmon, chairman of Wertheim Schroder, the New York investment bank, is one of the few sceptics: "I believe the market has overdone this rally. It's wrong. The war is not going to be so easy. The rally is out of proportion to events and the notion that interest rate cuts will simply reflate the economy quickly is not a given."

Mr Harmon and a few

contrarians take the view that far from piling in it may be time to consider shorting some stocks on the grounds that potential problems such as heavy US ground casualties could set the market back quickly. "When the market thinks it knows something," observes the Wertheim Schroder chief, "it is usually about to turn down."

Across corporate America the situation is not so rosy. The Big Three auto makers are suffering, even if Chrysler managed a slim fourth quarter 1990 profit. General Motors moved this week to slash its dividend by half and announce heavy layoffs. McDonnell Douglas, the aerospace and

defence group, also cut its dividend; the Saint Louis based company faces serious financial problems even if its products are being used in the air war.

Maying, the home appliance concern, and Goodyear, the beleaguered tyre maker, also cut their dividends sharply this week. On the media and entertainment front, ABC Capital Cities forecast significant potential setbacks resulting from lower advertising and the costs associated with covering the Gulf war.

A rumour from Hollywood, that Sony of Japan was about to buy the financially weak Orion Pictures, sent Orion's share price up by more than \$1 yesterday, to \$12 3/8, even though Sony denied the report. The reason is that the market is convinced that Salomon Brothers, which advises Orion, is shopping the company, although with little apparent success.

As trading continued yesterday the profit-takers moved in and the margin between advances and declines became slimmer than it had been all week. But this will not discourage many of the happy-go-lucky buyers.

It may simply create opportunities for those who like to stay away from the crowd, that dwindling band of pessimists who think the present rally is partly the result of interest rate cuts and partly a function of the "greater fool theory" of analysing Wall Street trading trends.

After all, say the doubters, a market that can't run up by 300 points during three weeks of war and recession is a market that can also go in the other direction, just as fast.

Alan Friedman

SMALLER COMPANIES

It pays to take your leisure

Best performers since Crash

| Company | % rise |
|-----------------|--------|
| Chepstow Race | 282.4 |
| Capital Radio | 196.8 |
| Canitors | 164.3 |
| MacDonald Mart | 160.6 |
| Barr & Wall Ann | 138.8 |

Source: Datastream

Worst performers since Crash (survivors only)

| Company | % fall |
|---------------|--------|
| Parrish | -98.4 |
| Merlin Int | -99.2 |
| Acis Group | -99.0 |
| Lincoln House | -98.8 |
| Finlan Group | -98.7 |

Source: Datastream

Small Co indices

| Index | % chg on wk |
|-------|--------------|
| CSCI | 811.1 +1.7 |
| HGSC | 1000.68 +1.8 |

As of Feb 7
** Capital gains measure*

era with worthless holdings.

The table shows some small companies that have clung on to their quotations. Parrish has been forced to sell its private client stockbroker business and the shares are suspended at 5p, having once been the equivalent of 777p. There is slight hope that the company might be treated as a shell.

Merlin is a property company which slumped to a £20m loss and is looking for a cash injection; Lincoln House is another victim of the housing market slump; Finlan is a property developer and glass trader which recently axed its interim dividend.

The most poignant decline of all related to Acis Group, where shareholders have had a roller-coaster ride. Up until the crash, Acis shares rose 2,468 per cent in 1987; it has been downhill ever since.

On an upbeat note, small company investors at last had something to cheer about this week with both the Hoare Govett and County indices (shown above) showing increases of nearly 2 per cent. However, general market sentiment, rather than any particular enthusiasm for small companies, was probably responsible.

Meanwhile, a survey conducted by Financial Dynamics into the view of small company analysts found that a general sector recovery is not expected until the end of 1991 at the earliest. However, the analysts believe that a recovery in share prices will precede recovery in fundamentals by several months. Some analysts are advising clients to pre-empt the recovery by buying selectively at current prices. "Sound management, strong balance sheets, progressive dividend policies, and tight financial controls will be the key investment criteria," the report says.

Philip Coggan

FINANCE & THE FAMILY

The early 1990's look like being lean years for many UK companies. What should you do if you are out of a job? Sara Webb advises

Redundancy: the wolf at the door

IN THE days of hectic prosperity, City institutions catered to the needs of the scale of the lavish breakfasts they provided for staff on the premises before their 8 am meetings.

Those days may be over. The early 1990's seem likely to be lean years for many UK companies and their employees. Staff now are worrying about the effects of financial belt-tightening which conjure in some cases a grim spectre of redundancy. Even companies with big names such as Midland, Barclays and British Airways are considering job cuts.

If there is a chance that you might lose your job, start planning your survival early. Although it may be tempting to sabotage the company computer system or put sabotage on the earpiece of the managing director's telephone when you are fired, there are more practical points to bear in mind.

Most people think redundancy will never happen to them. The problem is that many of the people who are on a high salary have large financial commitments and they need to be particularly careful, says Fiona Price of Fiona Price & Partners, the independent financial advisers.

In some cases, a company which is making staff redundant may call in a financial adviser to "look after" the financial interests of these employees. If you find yourself in that position you should be careful. One employee who was made redundant said that he was advised - by the insurance company called in by the employer - to put ALL his redundancy money into single premium bonds. In the three years he has owned the bonds their value has fallen from £50,000 to £31,000.

Before accepting the recommendations of an adviser to choose an insurance-based product rather than a building society account, remember that most financial advisers

earn their living from commissions. They will earn no commission if you keep your money in a building society. If in doubt, avoid financial advisers with a life assurance connection.

Redundant professionals may not think of registering as unemployed, but if you do lose your job, this is the first action to take. This ensures that your National Insurance contributions will be covered and that there is no break in your state benefits, even if you find that you are not entitled to unemployment benefit. The other option is to consider a self-employed status.

■ **COMPENSATION**
Martin Jones, senior manager of personal financial planning at Coopers & Lybrand Deloitte, points out that as a general rule, ex-gratia payments are subject to tax and National Insurance in full if the payment is received under the terms of the contract, or if there was a firm expectation of a payment being made as a reward for services.

However, if there was no contractual obligation of such a payment being made, the first £30,000 paid is free of tax; above that level, you are liable to pay tax. So first check with your employer whether your payment will be taxable.

The maximum statutory redundancy pay is £5,520, but as Fiona Price points out, many companies pay more. Once you have received your redundancy cheque, you will have a choice of whether to clear your debts, live off the money while you are looking for a new job, or invest the money for your retirement.

■ **DEBTS**
Provided you have the spare cash in an instant access account, you should consider clearing any debts on store cards and credit cards as these charge very high interest rates - up to an APR of around 40 per cent for some store cards. You should also pay off your overdrafts as the interest rate on these is generally quite



high. When it comes to your mortgage remember that if you are a higher rate taxpayer, tax relief on the first £30,000 borrowed makes a mortgage a cheap loan. Above that level, the payment on your mortgage is likely to be much greater than the return on your savings, so it is probably worth paying off that part of the loan. You can always remortgage later. However, do not be tempted to break into other investments in order to pay off your mortgage as this is not a good time to sell your unit trusts or insurance policies.

If you think that you are likely to face problems with keeping up your monthly repayments, contact your lender first and ask for a payment "holiday". It is far better to inform the lender than to let your payments slide over several months.

One way to protect yourself is to take out redundancy insurance through your building society or bank. This generally covers between two-thirds and 100 per cent of your mortgage payments or other loan commitments. The policy conditions vary from one building society to another so check first how soon you are likely to receive your insurance payment - in within 30 days, 60

days or 90 days of losing your job. However, this kind of insurance is expensive: one building society quotes £4 per £100 covered for the first £30,000.

■ **SAVINGS AND INVESTMENTS**
Try not to wipe out all your instant access savings as you may need to live off these while you are looking for a job. It is not a good idea to cash in endowment policies early because you could find that the surrender value is negligible once commission and charges have been deducted.

Fiona Price suggests that if you urgently need money, it might be better to sell your unit trusts or insurance policies rather than encash it. You should check with the insurance company first how much the surrender value would be and compare this with auctioneer's reserve value.

Unit trust or investment trust savings plans can normally be stopped without penalty. You simply cancel the direct debit and notify the company that you are stopping the scheme temporarily.

However, if you intend to invest some of your lump sum payment you should remember that index-linked and equity-based investments can be used to provide some protection against inflation over the long

term. Also, if you want to invest in equities, either directly or by means of investment or unit trusts, it is more tax-efficient to use a Personal Equity Plan. Existing rules allow you to invest up to £5,000 worth of shares or £3,000 worth of trusts a year in a PEP and you can receive all the income and capital gains tax-free.

■ **COMPANY CAR**
A company car is a taxable benefit. If the car forms part of your redundancy payment and this payment is not a contractual obligation then the benefit will be taken into consideration when calculating the £30,000 exemption from tax.

You may find that you can save a lot of money by trading down your car or by dispensing with it.

■ **BENEFITS**
Martin Jones points out that you should check whether your insurance affairs are in order. If your company pension scheme entitles you to lump sum life cover (typically up to four times salary) and a widow's pension, you may want to provide temporary cover until you find a new job.

Second, if your company has provided private medical insurance, you should check whether you can still be covered once you have been made redundant - in many cases,

ex-employees can continue with the policy at a discounted rate and without having to provide further evidence of good health.

■ **BUDGETING**
Although it sounds obvious, you should perhaps consider being less extravagant. Fiona Price points out that she can always tell if her clients are in serious financial difficulties - they tend to forget to fill in the stubs of their cheques.

She recommends that you carry around a notebook and write down everything you spend for a month so that you know exactly how you spend your money. She also recommends that you:

- Stop using your plastic cards and pay for everything by cash or cheque.
- Keep chequebook tabs.
- Stop extravagant spending on luxury items such as clothes, eating out, holidays and entertainment. "The temptation to keep up with appearances and live as though nothing has happened is enormous," says Price.
- Keep an eye on household bills. Do you leave the heating on all day, or use the telephone in peak hours? It is usually easier to pay bills in monthly instalments where possible.
- Don't skimp on house and contents insurance.

Pensions: look before you leap

ONE OF THE most important financial considerations when you are made redundant is what you should do about your pension. Many people, when they are made redundant, are eager to dissociate themselves from their former employer and so cut all their ties with the company. This may not be the best course of action.

Martin Palmer of Towry Law says that there are two points to consider: first, what kind of pension scheme are you leaving behind with your ex-employer? second, if you plan to find a new job, what will your pension rights be?

He advises anyone who is leaving a final salary scheme to think carefully before transferring the pension. "The benefits accrued under final salary schemes are guaranteed and any future discretionary increases will not be reflected in the transfer value offered."

"Once fully in force with the scheme, the Social Security Act 1990 may well mean an increase in many transfer values on offer, so it could be crucial to delay any transfer for possibly at least a year."

If you do decide that it is to your advantage to transfer your pension, you may find that it is best to transfer it to an individual plan, either an executive plan or a personal pension plan. This

provides flexibility: it means you will not be tied up in another employer scheme and you may have some choice over how your pension is actually invested.

Martin Jones of Coopers & Lybrand Deloitte points out that if you have a personal pension you can continue to pay contributions into it whenever you change employer.

If you are in a company pension scheme and you need to improve your pension scheme benefits, you could consider making the additional pension payments out of your redundancy payment. For example, if your redundancy payment is over £20,000, the amount above £20,000 would be taxable. It might be better to accept a smaller lump sum payment and ask for the remainder to be paid into your pension scheme tax-free.

You may, if you are over 50, decide that it is worth retiring early and taking your pension as a lump sum. This is especially so if it can be difficult to find a new job at this age. You cannot touch your pension benefits until you retire, and if you decide to take early retirement you can lose off your pension while taking time to look for another job.

GETTING A NEW JOB

IF YOU are looking for a new job, FOCUS, the Forum for Occupational Counselling and Unemployment Services, has a number of tips:

- Make sure your curriculum vitae places particular emphasis on your achievements.
- Be thorough in your job search. This means looking at a variety of sources, including Job Centres, outplacement consultants, head hunters, and advertisements in the press. A high proportion of vacancies are never advertised, so try using your contacts - friends, family, colleagues - to find out whether there are job openings elsewhere and, if so, who you should contact.
- Apply for jobs on a daily basis. Keep records of who you have written to or seen and keep copies of your correspondence.
- Prepare carefully for your job interviews. Find out as much as you can about the company. Keep up to date with developments in your particular field.

How to keep the key to your door

IF YOU ARE having trouble repaying your mortgage, you are not alone. Figures due on Monday for the Council for Mortgage Lenders will confirm that repossessions and arrears are at record levels.

Most repossessions occur after loss of earnings or marital breakdown, and consistently high mortgage rates have put pressure on many new home-owners. Surprisingly, they are also most likely to happen among professional people (particularly accountants) and in the south-east, according to the Skipiton building society.

However, these problems might be avoided by rearranging your repayments. There should always be ways of keeping your house. Remember that your lender has as strong an interest as you do in

making repossession "the option of last resort".

One vital rule is to contact your lender as soon as you realise that you are going to have problems. You might be able to avoid falling into arrears by varying some of the conditions of your mortgage.

■ You could opt to repay only the interest on your mortgage, and not the capital. If your mortgage is nearing completion, this could cut your payments greatly, although it will not help much if you are still in the first years of the policy, when interest

accounts for most of the payments.

■ If your mortgage did not require capital repayments in the first place, you could lengthen its term (the number of years before you have to repay all of it). This lessens your problems in the short term.

■ Holders of endowment mortgages, linked to a life insurance policy, can switch to a repayment or interest-only mortgage. However, be careful if you have only had the policy for a few years - its surrender value may be much less than the amount you have paid for it.

■ You could defer some interest for a period. Lenders will be amenable to this if your repayment problems are obviously temporary but it will not help if you have suffered a permanent reduction in income.

If you have already fallen into arrears and you can now afford to resume paying, but not to clear the debt, you might be able to capitalise your interest. In other words, the debt you have incurred will be added to the amount you first borrowed and you continue repayments as if the mortgage had always been

amount.

However, if you are in arrears by more than 12 months or £1,000 (which ever is the greatest), and no arrangements to reduce the arrears have been made, you could be removed from the mortgage interest relief at source (MIRAS) scheme, so that you would have to claim tax relief direct from the Inland Revenue.

If things have progressed a stage beyond this and your lender is threatening court action, check your legal rights. County courts will give you every opportunity to

hold on to your property. An excellent guide has been produced by the London Housing Aid Centre.

You should certainly negotiate with your lender rather than vacate the house and surrender the key without notice (an option now taken by 40 per cent of repossession cases, according to the Skipiton). This would worsen your financial position as interest would keep increasing until the house had been sold and new rent bills would be added to your debt.

For more advice, contact Home Owners, 8th Edition, Jan Luba and Derek McConnell, The London Housing Aid Centre, 188a Old Brompton Road, London SW5 9EJ.

John Authors

Property in BES offers

RECENT business expansion scheme launches are dominated by assured tenancy companies which rent out residential property. Many are hoping to buy cheap property from developers who are desperate to sell at a discount in the depressed property markets. Here are a few of the latest offerings:

■ Sun Life launched its sixth residential BES scheme - BESRES VI - this week. Its Campus Investment is in the process of buying properties from various universities which it will then rent out. Sun Life guarantees a return of 35-40 per cent over four years as it has options to sell the properties back to the universities. The money received is put on deposit for the fifth year.

■ Sun Life's Development scheme builds accommodation

on greenfield sites, while its Phoenix scheme plans to buy cheap residential property this summer for letting until the recovery of the housing market. The group is also launching a BES fund which will be able to invest in the various BESRES companies. Further details from Sun Life (tel: 071-606-7788).

■ The Cambridge Colleges Funds, managed by Capital Ventures of Cheltenham, Gloucestershire (0245-564500), plans to buy residential accommodation from certain Cambridge colleges which will be let to students. After five years, the colleges will buy back the properties, providing "assured growth" of 20 per cent per annum compound for higher rate taxpayers.

There are two separate funds, one with a closing date

of March 18, and the other with a closing date of April 5. ■ Kerrington Developments II will specialise in property development and investment. The first investments are likely to be made in greater London as the managers think this area will be the first to recover from the doldrums. They will buy partly finished and completed properties from developers or receivers who are selling at a substantial discount. The sponsor is Chancery (071-722-0088) although you can also contact Kerrington Developments (061-349-1780) for more information.

■ Johnson Fry has launched its Guaranteed Super Growth Scheme which offers a guaranteed rate of return of 17.35 per cent per annum over five years. The scheme plans to buy properties from universities and housing associations which guarantee to buy back once the five years are up. Initially, Johnson Fry (071-321-0250) will raise £15m to buy properties.

Sara Webb

Midland charges Access fee

MIDLAND BANK has introduced a £10 charge on its Access and Visa cards. It is the third large UK bank to do so - last year Lloyds introduced a £12 charge for its Access cards and Barclays brought in an £8 fee for its Access cards.

The new charge will not apply to some groups of Midland card holders, including students, holders of affinity cards, and holders of a second card on a single account.

Introducing the fee enables Midland to cut its monthly interest rate from 2.35 per cent a month (APR 32.1 per cent) to 2 per cent a month (APR 28.5 per cent). The new APR is calculated on a typical credit limit of £750.

Interest will now be charged from the day that the transactions are charged to the account, rather than from the

statement date. This new method of charging, first introduced by Barclaycard last year, means that the amount of interest actually paid by customers will be substantially higher.

Details of the changes will be sent to Midland Access and Visa customers with either their February or their March statements and the fee will be charged on the first statement issued after April 10.

If you are a Midland customer and do not want to pay the fee, it will not be charged if you stop using the card before April 10. Any unpaid balance on your credit card account can be paid off either in full or by monthly instalments, but you must let your bank branch know your intentions.

David Barchard

Cold comfort advice

READERS about to go away for the weekend in the middle of this cold snap will, one hopes, have taken the precaution of either leaving their heating on all day, or draining the water system or both.

Nevertheless, if despite all precautions, householders find that their pipes have frozen, then the advice is to turn off the water, thaw out slowly and send for a plumber if a pipe has burst.

Householders returning home to find a pipe has frozen, then thawed again, with resulting damage, will be relying on their insurance cover. Here there could be confusion, not from lack of cover but because

cover is provided by two different policies.

Damage to the pipes, ceilings, walls and wall coverings will be claimed under the house buildings policy. Damage to carpets, furniture and other household items will be dealt with under the house contents insurance policy.

It is at times like these when householders will appreciate having both their buildings and contents policies with the same insurer.

Carpets and furniture should be dried out and cleaned if at all possible.

However, if they are damaged beyond restoration, then the insurance should provide

for the cost of replacement.

While householders so affected should inform their insurers of the claim as quickly as possible, they should proceed at once to have the pipes repaired and the electricity systems checked out.

Most, but not all, major insurance companies operate a helpline system that not only advises householders how to claim on their insurance, but also advises on how to go about rectifying the damage and provide the names and telephone numbers of the nearest plumbers/builders/cleaners etc.

Eric Short

Trust the right sector

CHOOSING the right sector when picking a unit trust can be all-important. The investor who picked an average fund in the best-performing sector over the last ten years - Europe - would have seen £1,000 grow into £5,335 with income reinvested. An average fund in the worst-performing sector - Australasia - would have turned £1,000 into £948.

The table shows the average performance of the 19 unit trust sectors where funds have existed for ten years. The median sector, international growth, produced a 211 per cent increase over the period.

The figures show that all four UK general sectors, plus the broadly-based investment trust funds, are in the top half of the table. Towards the bottom are the fixed interest funds and the specialists such as commodity and energy and convertibles.

One could argue that the bottom sectors are the ones to

pick and certainly bond funds are all the rage because of the recession. It could definitely be argued that equity funds are unlikely to do as well in the 1990s as in the 1980s.

However, all the long term statistics show that equities have beaten both cash and bonds as an investment over the great majority of periods. A look at the top-performing individual trusts shows that while specialist funds have done well over three years - about the shortest time period over which unit trust performance can sensibly be measured - the general funds dominate the long term tables.

Of the top five funds over ten years, the ones from James Capel and Key are UK equity income trusts and the two Bishopgate trusts are both international growth funds.

The exception is Kleinwort Benson's European fund which did particularly well, according to Andrew Gregory, the invest-

ment director of KB Unit Trusts, from the strong performance of the Scandinavian period in the early 1980s. There was a further surge in the mid-1980s when the fund did well through investing in German equity warrants.

Gregory believes that there is long term potential for the European market in the 1990s as the Eastern countries gradually convert to capitalism. However, in the short term, the German market may be depressed by the costs of reunification.

Three year tables are dominated by the Pacific-based trusts but the volatility of such funds is demonstrated by the fact that the leading trust over three years, Abtrust Far East Emerging Economies, fell by 42.9 per cent last year.

Meanwhile, the unit trust sector continued its slow rationalisation this week. The Warton Investment Management and unit trust operations

UNIT TRUST SECTORS OVER 10 YEARS

| Fund name | % growth |
|------------------|----------|
| Europe | 432.5 |
| Int Balanced | 421.6 |
| UK Equity Inc | 415.5 |
| UK General | 363.0 |
| Japan | 351.3 |
| UK Balanced | 253.0 |
| Inv Tr Units | 250.2 |
| UK Growth | 247.5 |
| F East Int Jap | 219.2 |
| Int Growth | 213.3 |
| Fin & Prop | 202.1 |
| Int Fix Inc | 194.4 |
| F East Int Jap | 160.3 |
| NH American | 156.7 |
| Gilt & Fix Inter | 116.1 |
| Int Equity Inc | 57.8 |
| Convertibles | 44.9 |
| Commod & Energy | 22.2 |
| Australasia | -5.4 |

To Feb 1. Source: Fitch

are being absorbed by those of James Capel. Both are subsidiaries of Hongkong Bank.

Commercial Union is merging a number of trusts following the acquisition of the Royal Trust funds. The changes are: UK Smaller Companies fund to merge with Gamma fund; Gilt

BEST UNIT TRUSTS

| Fund name | % growth |
|---------------------|----------|
| Over 10 years | |
| L & C Inc | 675.6 |
| James Capel Inc | 671.5 |
| Bishopgate Int | 668.5 |
| KB European | 634.4 |
| Bishopgate Prog | 605.6 |
| Over 5 years | |
| Abtrust F East Econ | 89.0 |
| MIM Brit SE Asia | 87.5 |
| Fidelity European | 82.5 |
| Abbey Asian Pacific | 72.0 |
| F & C US Sm Cos | 68.9 |

To Feb 1. Source: Fitch

& Fixed to merge with Fixed & Convertible; Quilter Special Situations to merge with UK Special Situations; Pacific Basin to merge with Far Eastern Growth; Income to merge with High Yield; Professional Investors Portfolio to merge with Private Investors Portfolio, and be renamed Managed Fund; Worldwide Alpha and International to merge with Quilter International.

Philip Coggan

Time to swop certificates

READERS with investments in old national savings certificates might consider cashing them in early and investing the proceeds in a Tessa. The bonus rates on certificates are geared towards the later years but even so they are unlikely to compete with the rates on offer from a Tessa, which is also tax-free.

Investors in the 33rd issue, which was offered between May 1987 and July 88, will by now have held their certificates for at least two and probably three years. The rates offered for the third, fourth and fifth years of issue are 6.5, 8.0 and 9.0 per cent.

Even though national savings rates are guaranteed, it is hard to see Tessa falling to beat those returns. An investor who bought £1,000 in the 33rd issue in January 1988 would by now have a holding worth £1,191. That will turn into £1,402 by the end of the offer. But the same sum invested in a Tessa, if we modestly assume an average interest rate of 12.5 per cent this year and 11 per cent next, would grow to £1,487.

The best time to sell is, however, immediately after the anniversary of the date you bought your certificates.

That way, you do not have any "lost months" without interest.

The other fixed interest certificates offer rather higher rates, so you may have to take a view on the future direction of interest rates. The 32nd, for example, pays 9.9 per cent and 11.23 per cent in the last two years of issue. The 34th, pays 7.0, 8.5 and 9.5 per cent in the last three years.

If you have the maximum

holding in one of these issues, it may be worth switching at least some of your investment into a Tessa.

■ This week's table of Tessa's tax exempt special savings accounts - includes those banks and building societies that are offering a compound annual rate of 14.7 per cent or more, not including any bonuses.

Philip Coggan

| Building Society/ Bank Account name | Telephone | Min. (£) | Int. % | Int. GR. Car paid |
|-------------------------------------|--------------|----------|--------|-------------------|
| Abbey National | 071-224-2241 | 1 | 15.00 | Y |
| Allied Tat Bank Premier | 071-625-8202 | 9,000 | 14.71 | Y/M |
| Britannia-Platinum | 0838-393360 | 3,000 | 15.00 | Y |
| Deacon Hoare | 0272-252676 | 250 | 15.87 | Q |
| Exeter Bank | 0392-50635 | 250 | 15.03 | Q |
| Lambeth & Society - Select | 071-528-1531 | 500 | 14.75 | Y |
| Leamington Spa-G'head Bond | 0626-450045 | 8,000 | 15.00 | Y |
| Leamington Spa-Spa Tessa | 0626-450045 | 1,000 | 15.00 | Y |
| Mansfield B Society | 0623-648621 | 25 | 14.75 | Y |
| National Westminster | 071-726-1000 | 1 | 14.75 | Q |
| Norwich & London B Society | 071-249-8822 | 3,000 | 15.50 | Y |
| Northampton Anglia-Flexi Plan | 071-243-8822 | 3,000 | 15.15 | Y |
| North of England B Society | 091-565-6272 | 10 | 15.00 | Y |
| Principality B Society | 0222-344188 | 25 | 15.00 | Y |
| Skipiton B Society | 0759-705000 | 1 | 15.25 | Y |
| Tipton & Co-operative B Society | 021-557-2551 | 1 | 18.00 | Y |
| Town & Country B Society | 0225-22565 | 1 | 15.00 | Y |
| Universal B Society | 091-232-0973 | 1 | 15.00 | Y |
| Woolwich B Society | 081-298-5000 | 3,000 | 15.00 | Y |
| Yorkshire B Society | 0274-734822 | 100 | 14.75 | Y |

First, catch your hare....

Philippa Davenport tracks down a traditional English dish

DISUSED AIRFIELDS fascinate me. Although disused in the sense that aircraft no longer take off from them, often they seem to ring with more life than in their flight days.

"Ghosts" haunt the hangers of our neighbourhood airfield. Merit mention of the place brings a blush to the cheeks of some of the not-so-young women hereabouts. The hangers once buzzed, I am told, with battalions of gum-chewing, crew-cut GIs whose pockets were packed with nylon stockings for the girls they favoured (or who favoured them?) and on one magical night they danced to the real, live sound of Glenn Miller and his band.

Wildlife still runs rife on the airfield, which is clearly regarded as a top-notch gymnasium by the tearaway, keep-it-hare fraternity. Sometimes as I drive past en route to the station for a day's work in London, I see the agile creatures lumbering up in the early morning mist, leaping and boxing tirelessly or sprinting down the runways like magnificent athletes in training. Absorbed by their own little rituals they seem oblivious of human presence.

At this time of year hare is also to be found in the butcher's shop, for in these parts people still cling to the old pattern of eating feathered game before Christmas and furred afterwards. A row of the creatures hangs on butcher's hooks along one wall where until recently a feathered array of pheasants was displayed.

Hare makes satisfying cold weather eating, just right for January and February when winter is at its nastiest. Like all game the meat tends to be lean and dry, but it is full of rich flavour, genuinely wild and gamey. That is more than can be said of pheasant, which seems all too often to be insipid, semi-farmed stuff these days.

Get the butcher to joint hare for you,

trimming each piece to a tidy shape, cutting away the daps and bony rib cage, for example. There is practically no meat on them, they take up a lot of space in the pie dish or pot and look ungainly on the plate, so it is best to get them out of the way from the start. Remember though to take all the trimmings home with you, including the skinned head, as they make flavoured stock.

The butcher should strip off the tough bluey-white membrane that encases the saddle and legs of hare, and he should give you a little polythene bag containing the liver and blood, which can be used to thicken soups, sauces or gravy. Keep the flame low after adding the blood. If the heat is high blood curdles.

When ovens were rare and cooking was commonly done in a pot over the fire in the hearth, jugging was the popular solution for foods that needed long and gentle cooking - hence jugged hare. Romantically inclined cooks intent on making the recipe the old-fashioned way will seek out a tall brown stoneware jug-type pot with a pouring lip and lid. Pack the ingredients into it, cover tightly, and stand it in a pot of simmering water to cook until the hare is tender.

The same results can be achieved just as well and with less palaver by putting the ingredients into a common or garden casserole and placing it in a hot water bath in the oven.

Whether you jug it the traditional way or in the oven, one of the characteristic features of the dish is that it is "cold start". By this I mean that the meat and vegetables are not given an initial browning. They are just dusted with flour and packed into the container raw, and cold liquid is poured to cover them.

Jugged hare is a prime example of good English cooking at its plainest. Onions, carrots, celery, pepper, salt, maybe a clove or two and a faggot of parsley, bay and

thyme are the usual ingredients to tuck round the hare.

Water is the normal liquid, or sometimes stock. The resulting gravy is plentiful but thin (although it may be thickened by pureeing some of the vegetables with the cooking liquor as described in last week's recipe for pork olives) and the dish is traditionally served in the simple company of potatoes and pickled walnuts.

There is no reason of course why one should not indulge in richer, more flamboyant interpretations of jugged hare. You could for example dust the meat with ground cinnamon, allspice and crushed coriander seed, replace the carrots and celery with prunes and fennel (yes, I am peckish for sprigs of dried lavender to the bouquet garni, and use wine or port in lieu of some of the water or stock).

For a very different flavour, hare could be jugged in the Hungarian or gipsy manner, cooked from cold with slices of kabanos-type sausage, sweet peppers and onions in a tomato and paprika sauce. This might be served with noodles or dumplings and a bowl of soured cream sprinkled with caraway or poppyseed.

Returning to home territory, hare makes excellent puddings and pies. Onions, bacon, mushrooms and redcurrant jelly are favourite flavourings for these, and I like to savour suetcrust pastry with thyme and lemon juice.

Like jugged hare, a suetcrust pudding is a cold start dish by tradition. However, I prefer to cook the filling a day ahead so the consistency and flavour of the gravy can be checked before it is sealed in the pastry-lined basin. Doing it this way gives you the bonus of a relatively brief pudding boiling time (like the second cooking of a Christmas pudding on Christmas day) which produces a particularly light suetcrust.

Puff pastry is the country house choice for topping hot game pie. Phyllo pastry is the modernists' alternative, most impressive when dramatically "quilted" by scoring it in a diamond pattern just before it goes into the oven. Handling phyllo always strikes me as more akin to dress-making than patisserie, so it seems less daunting than puff pastry. Cooks who are nervous of pastry in any guise can finish their pies in other ways.

Simplest of the lot and irresistibly crunchy is a thick blanket of diced fried bread croutons. Mix them with the finely grated zest of a Seville orange and some parsley for added colour and aroma.

For an Italianate finish cover the pie with a roof of polenta, thick slices of polenta into triangles and arrange them, barely overlapping, over the top of a precooked and cooled hare stew. Brush the polenta with oil or melted butter and reheat in the oven until thoroughly hot, then burnish briefly under the grill.

Then there is the old English forcemeat crust called pulpetoon (pronounced puptoon). I like this very much for topping pigeon and I think it would go well with



hare. Pulpetoon is a sort of savoury crumble but made with breadcrumbs not flour and including marjoram and thyme, like the aromatic crust of a cassoulet.

To make enough to cover a small pie dish, cut 1/2 lb streaky bacon into snippets and fry gently until the fat runs. Add 1 oz lard to the melted bacon fat and snippets slightly two large, finely chopped onions. Away from the heat mix in 1/2 lb fresh breadcrumbs and the snippets of bacon. Season with plenty of dried marjoram and

thyme (1 1/2 teaspoons of each is not too much) and the zest of a lemon or two. Stir in a couple of spoonfuls of stock or gravy - just enough to bind the mixture, on no account make it wet.

Scatter the mixture thickly over the pre-cooked and cooled hare, and seal the edges with a little of the mixture. Bake in a jug and bake in a moderately hot oven for about one hour until the meat filling is thoroughly hot and the crust is crisp and appetisingly brown on top.



Andrew and Tessa Bramley: there is no doubt about the quality of the cooking

On the trail of a good lunch in the north

Nicholas Lander eats out in Leeds and Sheffield

COMPARE AND contrast the lunchtime fortunes of the businessman, or woman, in London and Leeds.

Those based in the capital are surrounded by the highest concentration of restaurants and brasseries; and the routes are going out of their way to offer set price lunches to fill their dining rooms. In Leeds there is, gastronomically, remarkably little on offer.

The explanation lies partly in supply and demand. Businessmen do not go out to eat more frequently because there are so few restaurants to choose from; restaurants do not open during the day because they feel there are no customers and they prefer to wait for the more lucrative evening business.

Restaurants aside, Leeds has plenty to offer culturally: it is home to Opera North, a piano competition and a conductors' competition, but at lunch it is difficult to eat well. One leading businessman, discussing the city's future with a member of the influential Leeds Development Agency, thinks that among the city centre's many needs is a good, reasonably-priced brasserie or restaurant.

At night there is one but you have to drive 15 minutes outside the centre,

past the ruins of Kirkstall Abbey, to the picturesque village of Horsforth, to eat at Paris (0532-581885) which for its first year did open for lunch but reverted to evenings-only because of lack of demand.

Paris is run out front by Martin Spalding and in the kitchen by Stephen Kendall. No-frills in design, crowded and rather noisy, it does however supply what the naturally wallet-conscious Yorkshire diners obviously want: fresh ingredients, well cooked and keenly priced, and a wide-ranging wine list. The two most striking aspects of Paris's food are the fish and the style of presentation. A lot of the fish comes from Yorkshire's east coast, Scarborough in particular, and is cooked in a variety of styles. As first courses there are mussels in curry and coriander with noodles, or herring prawns grilled with garlic. Eight different fish main courses may include monkfish with saffron and spinach, sea bass with leeks and ginger and the more classical escalope of salmon with tarragon.

The manner of presentation is also commendable. The description on the graphic-conscious menu is understated so that what arrives always seems a pleasant surprise and the service is

friendly. As we left the owners were sitting down to a late night kir with the skilled kitchen brigade, mostly Yorkshire born and bred, before setting off into the cold night air.

The success of this particular restaurant has allowed the two owners to take over another restaurant in Buddersfield, now also called Paris (tel 0484-516773) a decision they took only after a site in the Leeds city centre fell through. Let us hope for Leeds and its business community that they will find another.

Thirty-five miles to the south, in Sheffield, the situation is no better. It used to be when Toffis was open in Matilda Street but five years ago its owners, Peter and Tessa Bramley, took over the Old Vicarage in Ridgeway, a small village technically in Derbyshire but still only 15 minutes from Sheffield. The Bramleys have not that much further from Chesterfield.

Set in rolling countryside, the Old Vicarage is a dignified building which has been lovingly restored by Andrew, the Bramley's son. Its two-acre garden provides many of the organically grown vegetables, fruits and herbs for kitchen. It is possible to imagine a restaurant of this elegance in the depths of the

French countryside. If it were, there would be no shortage of signposts and the village would proudly herald its proximity. But this is England and as a nation we are not yet proud enough of our gastronomic achievements. The taxi driver at Sheffield train station had never heard of the restaurant, nor were there any signposts to help him.

Tessa Bramley began her working career as a teacher of home economics and the disciplines she learnt at that early stage are clearly reflected in her cooking. Over the years she has developed and obviously eaten widely and the menu reflects a wide variety of influences.

A pressed duck and foie gras terrine, classically made with calves' foot jelly, sits next to a langoustine tempura with an oriental dip as first courses while a single main course clearly demonstrates these eclectic influences. The breasts of a local pheasant were served with the very British bubble and squeak, the legs casserole with a drizzle of balsamic vinegar from Modena, Italy.

When it comes to the puddings and desserts, the chef reverts almost completely to Britain. Her speciality is a baked chocolate pudding with hot fudge sauce and English custard alongside traditional lemon cheesecake with sour cream and nutmeg. British farmhouse cheeses and even, if you can face it, an Old Vic grilled ham, are served. The hand made chocolates and petits fours baked, like the bread, on the premises are excellent.

When the Old Vicarage opened three years ago it was for dinner only. Late last year it opened for lunch as well, as a result of repeated customer requests, but the demand so far has not materialised. Partly this is one of the consequences of the recession but partly it is because the Bramleys have not yet fully appreciated the difference between the lunchtime and evening trade and introduced a keenly priced lunchtime menu.

Their current menu with first and main courses priced together ranges from £24.50 to £28 and with dessert, coffee and wine the cost is closer to £40 per person. There is no doubt about the quality of the cooking, a clear notch above Paris, or the generosity on offer, but this is a lot to spend over a leisurely dinner and probably out of the question, at least for the moment, for all but a very few at lunchtime.

If, however, the Old Vicarage were to offer a couple of differently-priced set lunches and spring were to have into full view from their dining room windows this would be a delightful lunchtime setting.

Paris, 36A, Town Street, Horsforth, Leeds LS18 4RJ, 0532-581885. Evenings only, Monday-Saturday. Approx £20-25 for three courses, wine and coffee.

The Old Vicarage, Ridgeway Moor, Ridgeway, Sheffield, 0742-478514. Tuesday-Saturday, 12.15pm-2.30pm, 7pm-11pm.

The emperor wants his dumplings

Giles MacDonogh enjoys an Austrian treat

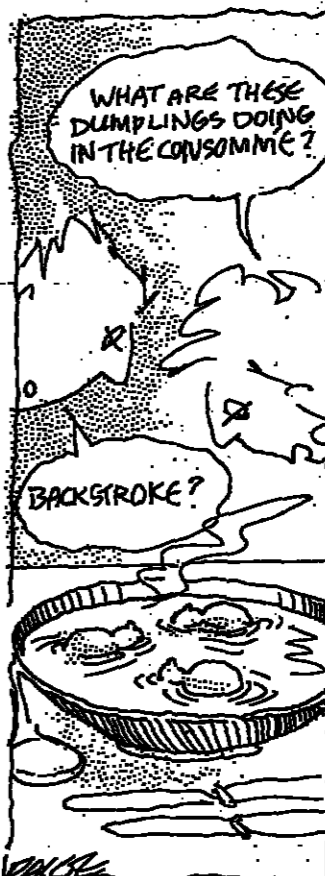
IN HIS classic account of the last years of the Austrian Empire, *The Habsburg Monarchy 1867-1918*, the late A.J.P. Taylor credited the imbecile Emperor Ferdinand with the line: "I'm the emperor and I want dumplings!" The historian then added in a footnote typical of his asseverate wit: "Strictly he demanded noodles. But for a noodle to ask for noodles would be in English an intolerable pun."

Taylor was having fun at the expense of his readers. He had lived in Austria long enough to know that *Nudeln* (if that was what Ferdinand wanted), like *Knodel*, *Nockerl* and *Krautler*, are all members of the same gastronomic family and have nothing whatsoever to do with the English word noodles. The English translation for all four (with the possible exception of some sorts of *Krautler*) is dumplings: it was for dumplings that the emperor called.

Ferdinand's taste for dumplings was by no means proof of imbecility: Austrian dumplings can be extremely good. Listening to Radio Three recently, I heard a Czech conductor laud the quality of Czech dumplings (which he stipulated should have the spring consistency of an Austrian woman's backside).

From my limited experience of restaurants in Prague, however, I tasted none which would stand beside some of the dumplings I sampled last week in Vienna.

The most common form of dumpling is the *Knodel*. *Semmelknodel* for instance, are made from pounded bread and cooked in boiling water. When *Semmelknodel* have too firm a consistency they can be less than tempting, and are usually found floating in your soup or squatting beside a heap of *Sauerkraut*. In a *Beisl* - the Viennese equivalent of the French *bistro* - there are as many sorts of *Knodel* as there are castles in Spain, and the better sorts contain fat, bacon, onions, cabbage,



cheese or even hogs' blood.

In the chi-chi *Zu den drei Husaren* (Weinburggasse 4, tel: 51 21 092), I ate an excellent *Kalbsknodel* (calves' brain dumpling) from a caravan of wax-dressed trolleys. At the other end of the spectrum, the unpretentious *Schnitzl* (Gasse 40, tel: 42 34 00) offered a first course of *Knodel* stuffed with meat on a bed of onions cooked in wine. *Schnitzl* offered *Knodel* with every course, *Semmelknodel* with venison and a delicious *Apfelknodel* for dessert - lightness itself, containing *fromage frais* (*Tofpen*) apples, honey and nuts.

Nockerl are made with two spoonfuls like a French *quenelle*, and the *Hechtknockerl* I had at *Zu den drei Husaren* was

similar to the pike *quenelles* you find near Lyons; only the sauce was a central European dill cream. At *Korso-bel-der-Oper* (Mahlerstrasse 2, tel: 51 516/546), simple *Griesnockerl* (semolina dumplings) accompanied the consommé.

It was also at *Korso* that I tasted *Nudeln*, in this case *Mohrknodel*: thick fingers of pasta coated with poppy seeds. The dough for these *Nudeln* was made from potato flour, which is quite often the case with sweet dishes. Poppy seed is a Viennese *leitmotiv*; it is rare to experience a meal in the city without coming across it somewhere.

Also at *Korso* (the Viennese menu entitles you to three desserts), I had the chance to try *Fischknockerl*; tiny dumplings filled with apricot jam which are made in the carnival season. *Krautler* are basically dumplings deep-fried in *Schmalz* (fat), although savoury versions also exist. The same sweet or savoury rule applies to *Bucheln* made from yeast dough. At the restaurant 1900 (*Richtgasse* 1, tel: 513 14 37) I had the Viennese favourite: *Powidlknodel* where the *Bucheln* are filled with highly spiced plum jam.

Viennese restaurants have been returning to their origins and very many include some refined Viennese dishes among their own reworkings of international nouvelle cuisine. Even Vienna's top restaurant *Steirereck* (*Rasumofskygasse* 2, tel: 71 33 188), has a smattering of dumplings among its refined, Styrian regional dishes.

At 1900, like *Korso*, there is an attractive Viennese menu (and that means the dishes have been culled from all over the old empire). The first course on 1900's menu was *Krautler*, Vienna's answer to noodles: little bits of pasta with chopped cabbage and garlic. It may not sound like much, but it was delicious and I'm sure Ferdinand would have called for more.

SIGNIFICANT changes have been taking place in Champagne. A near free-market in grapes of the 1990 vintage ended unusually late in October. Recently Pommery and Lanson were sold to the LVMH group - which already contained six Grande Marque houses: Moët & Chandon, Mercier, Ruinart, Veuve Clicquot, Canard-Duchêne and Henriot. It may fairly be asked how Britain, by far the largest foreign consumer of champagne, will be affected.

Growers and smaller maisons (merchants) are particularly concerned that a group selling 60m bottles (24 per cent of total world sales) might secure undue power over the market. There are also fears that individual brands may lose their personality.

The Champenois have always feared the consequences of control by outsiders for whom Champagne is not the principal concern. For Antoine Riboud, head of BSN, the beer-to-yoghurt group which sold Pommery and Lanson to LVMH, Pommery and Lanson represented an insufficiently profitable part, a mere 2 per cent of group turnover. The Pommery sale helped to pay debts incurred in other directions,

as well as the champagne houses' own debt of Fr1.2bn. Such outsiders, it is felt, do not understand the ins-and-outs of an industry subject to the vagaries of the climate as well as the problems involved in dealing with world-wide markets. The greatest single item of goodwill that the huge Moët & Chandon house enjoys within Champagne is that its managing director, Yves Bénaud, is a Champenois, concerned for the welfare of his region.

The free market was successful partly because of an extended vintage of near-record size (288m bottles, compared with 251m bottles sold). There were enough grapes for all at reasonable if high prices, although regulations prevent affluent groups from securing an unfairly large share. The classification of the communes, though amended, dates back 70 years. In principle a clear range of quality is still maintained.

than under the strict - though quantitatively fair - distribution system of the grapes organised by the *Comité Interprofessionnel*. The merchants had long-standing agreements with growers throughout the whole *vignoble*. But, in order to secure their full allotment, they could be obliged to take grapes from others, while the growers might have to sell their grapes to merchants who were not their preferred choice. Laurent Perrier, now the largest independent house, said that at this vintage it had more choice and probably secured higher quality grapes overall. The relatively small *maison* of Deutz said: "We have been able to buy grapes where we wanted and from whom." Nevertheless the 20 per cent increase to an "indicative price" of Fr32 per kilo for the grapes of the 100 per cent communes, as agreed by merchants and growers in the *Comité Interprofessionnel*, was high and others thought that it should have been no more than Fr30, particularly as it followed a 15 per cent increase the previous year.



Basically the proposed figure was adhered to initially. But, when the fourth and final payment is made next September, the merchants have individually agreed to pay a bonus on their sales or on the general level of payments in the area concerned. This could add Fr2.5 to Fr5 a kilo. Under-the-table additional payments may have been made but not disclosed. This means that the raw material for a 1990 bottle of champagne

(around 1.30 kilos of grapes) will have cost the equivalent of £3 for cuvées from the lesser communes and at least £4 for the top ones.

The steep increase in grape prices must obviously lead to a rise in retail prices, but less than some suggest. For they will be evened out over their stocks, which for the quality-conscious houses should be equal to three years sales.

It looks very much as if initial rises will be about 10 per cent, and in many cases these have already taken place. However, eyes will be fixed on May, when the size - though not the quality - of the 1991 vintage can be estimated. Barring prospects for a very small vintage - and the last was in 1995 from a rather smaller vineyard area - there is no chance that grape prices will again go up.

Moreover, the combination of higher prices and economic depression in such leading markets as the UK, US and Belgium, is leading merchants to predict an acceleration in the fall of sales that had already begun towards the end of

last year.

May the UK, for this reason, expect a drop in retail prices? That is unlikely this year, although forecasts in some Champagne quarters of a drop of 15-20 per cent in world sales would present Champagne with acute problems. Otherwise grape prices at the vintage are not expected to fall, and the merchants themselves would not want too sharp a decline, as they would have to revalue their existing stocks. A "qualitative reserve" not put on the market immediately, might have to be established as happened with the huge crops of '82 and '83.

For the high cost of replacing a bottle of champagne is not always appreciated: about Fr12 from Grand Cru vineyards, Fr18.50 from 90-99 per cent Premiers Crus and Fr 54.25 from the basic 80 per cent. This takes no account of tied-up capital or interest in a wine with an ageing period described to me by one grower as "one year-legal, two years-quality, three years - grand quality." Higher quality is increasingly Champagne's only rec-

ipe for success against rising competition from other sparkling wines which start with an enormous advantage in the prices paid for grapes: Fr2.50 a kilo for the Spanish Cava made by the same traditional method: Fr3 for Sautumur and Fr5 for Crémant d'Alsace.

In Champagne there is frequent talk of increasing the quantity of grapes required to produce a given amount of the basic still wine, of the minimum ageing period in bottle before sale rising gradually from one year to 18 months or, as in Portugal for port, prescribing the proportion of stock that can be sold ex-cellars each year.

There is little prospect of an early return to a contract system, even of a more flexible kind, but organisation and regulation is necessary to secure such improvements in quality, and as long as these can be seen to be on the move and prices remain reasonable in relation to the high costs of production, amateurs of champagne should continue to drink it - in prosperity a celebration, in adversity a comfort.

Edmund Penning-Rowell

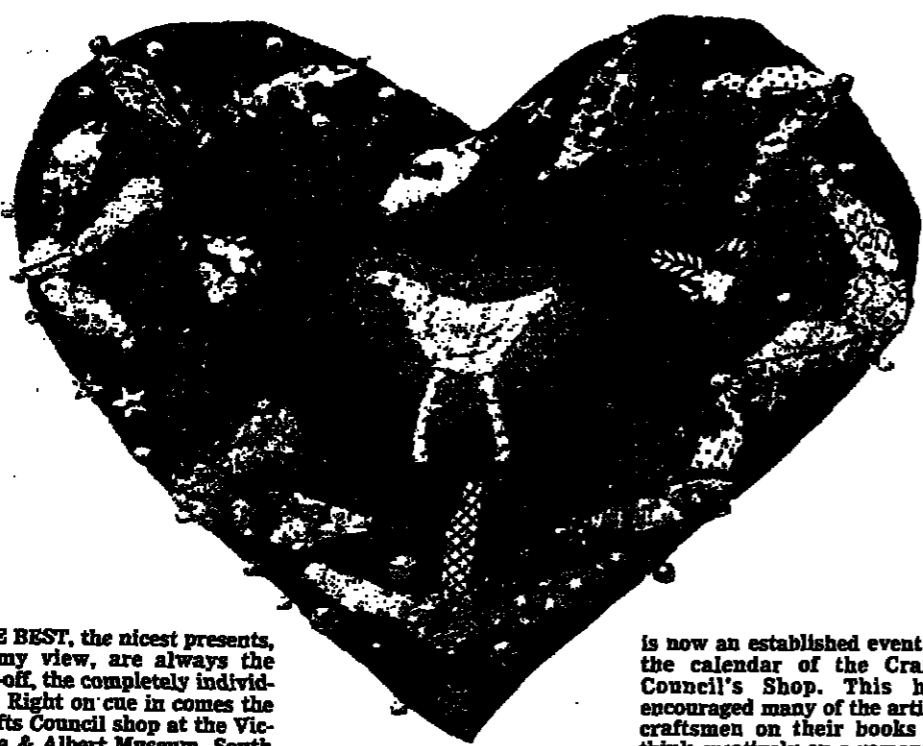
HOW TO SPEND IT

There's no need to get too soppy on Valentine's Day, says Lucia van der Post. She picks some straightforward gifts for the one you love

Yes, it's time to pamper Smoochykins

SMOOCHYKINS sends lovingest message to his darling pampers - yes, it's that time of year again. You may think that nobody could be quite so daft but... Every year the number of messages in the personal columns gets longer, the words get daffier and the amount of money that changes hands in

pursuit of the soppy tribute gets larger. If you, too, have somebody whom you would like to please you do not have to indulge in the silly, the wasteful or the downright vulgar. There are lots of straightforward things which would be welcome. Here are just a few:



THE BEST, the nicest presents, in my view, are always the one-off, the completely individual. Right on cue in comes the Crafts Council shop at the Victoria & Albert Museum, South Kensington, London SW7 with lots of suggestions for Valentine's day.

They come inexpensive and expensive, jokey and serious, beautiful and eccentric - in other words, there ought to be something for everybody. There are little round pewter or silver love tokens by Jane Short from £2.50, jewellery by

Hazel Jones from £8.60, cufflinks (at last, something for the chaps) at £64 in etched copper by Judy McCaig, a theatre box by Jim Edmondson for £207 and a series of fabric collages, like the heart photographed here, by Janet Bolton, at about £225.

The Valentine present show

is now an established event in the calendar of the Crafts Council's Shop. This has encouraged many of the artist/craftsmen on their books to think creatively on a romantic theme, so this year's crop of ideas is richer than ever. The shop opens for the same hours as the museum - from 10 am to 5.30 pm from Monday to Saturday and from 2.30 pm to 5.30 on Sundays. The forgetful, late or suddenly inspired can rush along on the day itself as the exhibition doesn't close until 5.30 on February 14.

I AM not quite sure who might need a whole book of 24 full-colour postcards on a romantic theme but they are certainly pretty enough to look at and come ready to pull out and post. They are all reproductions from the Henry Ford Museum & Greenfield Village in Dearborn, Michigan. They come with

unabashedly sentimental messages such as: "Without your love my heart will pine away" and "Oh, will't be mine, my Valentine." £4.95 from The Dover Bookshop, 18 Earlsam Street, London WC2.

If your address book does not yield enough names to warrant postcards there is lots more to tempt those with

A drink to melt the heart

FOR THE post-Oval-teeny generation, that powdery combination of cocoa, glucose and colouring known as drinking chocolate has about as much romantic allure as a flannel nightgown.

In previous centuries, drinking chocolate enjoyed a more sophisticated image. It was found in the coffee houses of 17th century mercantile London, the homes of the European aristocracy, and even in Mozart's operas. As Despinas, the candy artist in *Costume*, prepares chocolate for her pampered employers, she laments the fate of servants like herself whose lot is to be tantalised by the aroma, while others get to enjoy the taste.

Chocolate was also sold on continental street vendors. Like Arab water sellers, carried large, insulated containers on their backs and dispensed the drink through pipes into chained communal cups. Contemporary engravings show that the containers were sometimes elaborate, decorative affairs, one sporting a trumpeting angel on top, another clad in rich fringed fabric.

In an effort to restore its former attractions, Charbonnel et Walker has introduced a drinking chocolate very like the one which used to make its appearance each morning in the boudoirs of the aristocracy. Sold in 500 gm tins at £5.95, the product looks like real grated chocolate which is exactly what it is. Butter oil has been added to allow the chocolate to melt. The flakes are softened into a paste with boiling water and hot milk is then added. For larger quantities, the chocolate can be blended as the milk is heated in the pan.

The drink has an extremely rich flavour, with the faintly oily quality of pure melted chocolate and a creamy aftertaste. It needs no sugar - in

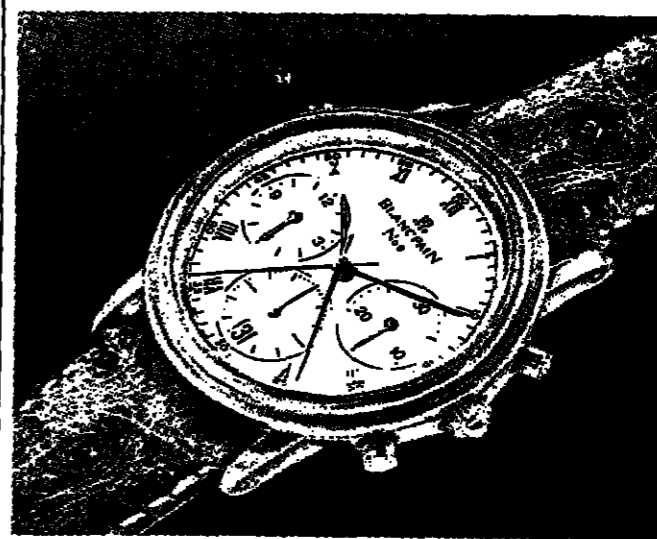
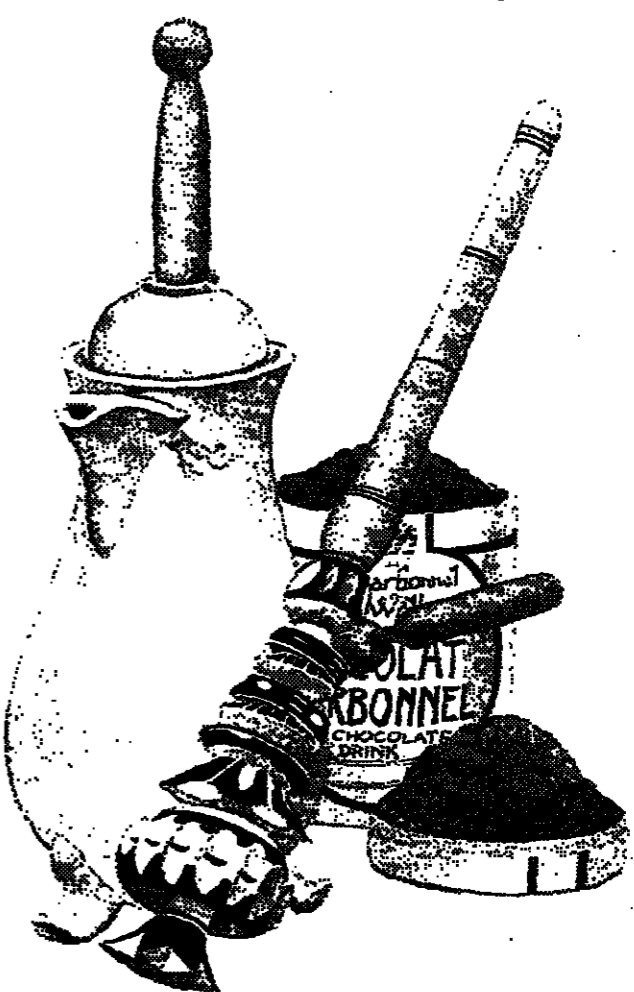
fact, I found it rather sweet - and an addition of whipped cream transports you instantly to Demel's in Vienna. For the real enthusiast, the chocolate can be reduced slowly with water, producing what is probably the closest approximation of the original drinking chocolate since Despinas's first unauthorised sampling.

She would certainly have served the drink in a *chocolatière*, a jug with a wooden pouring handle and a lid pierced by a carved wooden batten. When the chocolate is made, the batten is agitated between the palms to produce a froth, rather like cappuccino coffee. Museum collections contain magnificent examples of Sevres and Meissen *chocolatières* from the heyday of European chocolate drinking, but modern equivalents are rare. Charbonnel et Walker imports one from France, (sketched below), made of white porcelain in the style of the late 18th century, which sells for £30.

In Latin America, where chocolate is still widely drunk in a concentrated, unsweetened form, the whipping is done with a *molinillo*. The name derives from the word for windmill and it consists of a wooden handle with a free-moving ring and a bulbous carved end. Something between a wooden spoon and a whisk, it aerates the chocolate without splashing it. Charbonnel et Walker imports *molinillos* of variable decorative interest. At £5.95 they make an unusual Valentine token, to keep the recipient guessing not only who sent it, but what to do with it.

Products available from Charbonnel et Walker, One, The Royal Arcade, 22, Old Bond Street, London, W1X 4BT, and by mail order. Telephone: 071-491-0839.

Marilyn Bentley



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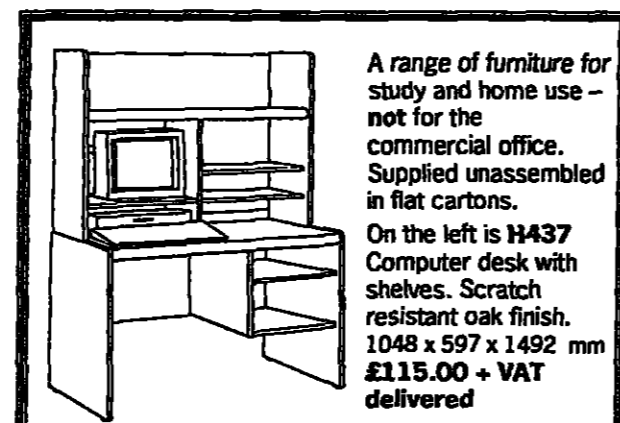
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it does include the catalogue, and from then on you have access to a wide range of silver and jewellery from some 30 exhibitors. Prices start at about £50 and there is plenty



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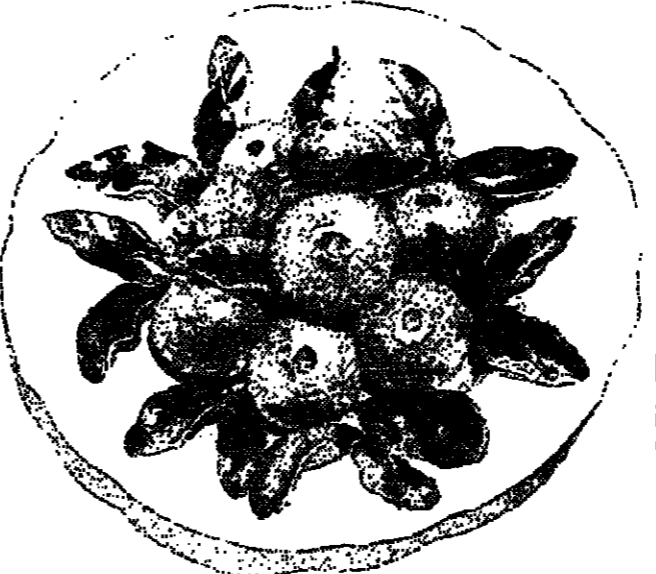
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IF THERE is something to celebrate, Joanna Wood of 48a Pimlico Road, London SW1W 8LP (tel: 071-730-5064) has a decorative idea to match. For Valentine's day she has a collection of decorative plates, (below) each different, each hand-made and hand-painted by the French artist Christine

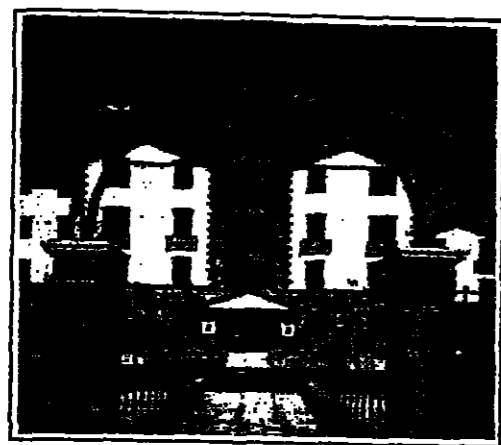
Viennot, who specialises in the art of *troupe l'oeil*. There are plates of fruits of every kind - grapes, oranges, cherries - as well as petit fours, chocolates, sugared almonds and nuts. Not meant for serious dining, more as decorative pieces. Small plates are £20, large ones £26.50.



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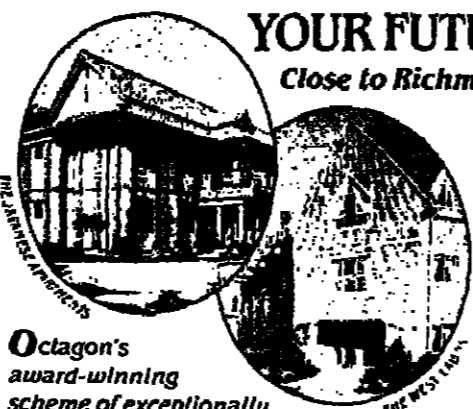
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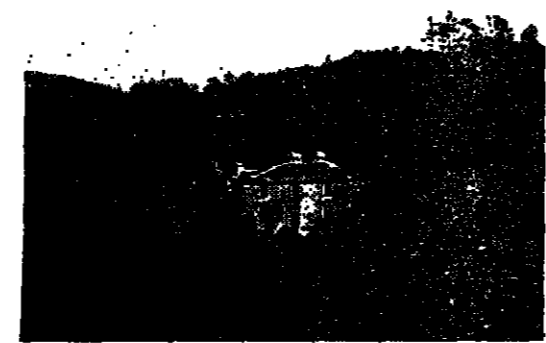
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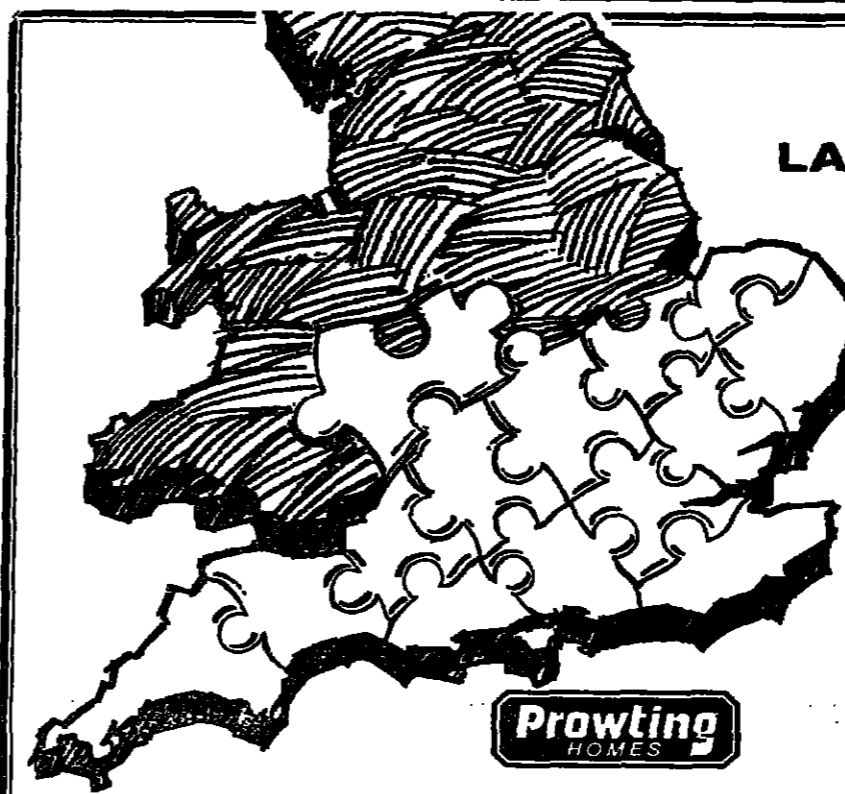
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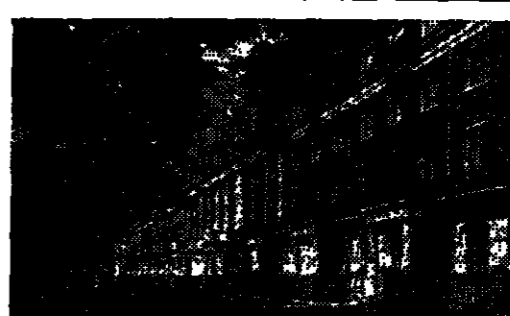
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GARDENING

A Nymph that became too constant

Robin Lane Fox reveals his off-on affair with a house plant

There are flowers on other people's indoor azaleas and buds on the florist's gardenias. Cymbidium orchids are about to come into spate; white jasmine in pots is a mass of young buds and the indoor hyacinths are beginning to turn sickly-sweet if you remembered to plant them early last autumn.

I wish I was so organised. I can cope with bulbs for unheated houses and alpine plants which like an indoor temperature which amounts to marital cruelty. Otherwise, house plants are not my strong suit. For years I have been looking for the ideal indoor plant. It will not be a magnet for greenfly, it will flower for the rest of the season whenever I forget to water it. In the late 1970s the vacancy seemed to be filled: I discovered the streptocarpus and for a while, it did everything right.

The streptocarpus is the plant with long green leaves and showy flowers of blue, pink or white flowers which are usu-

ally blue and very persistent. The leaves lengthen and shrink according to the amount of food which they take up: the flowers have open throats and look as if they are scented, but seldom are.

They have a long season, no vices and no undue need for heat. White fly does not swarm to them and they will put up with owners who take academic holidays. I would have discovered them even sooner if I had not tried to grow them from seed, which was more difficult: I was also deterred by an old dictionary which described them as stove plants. They are nothing of the sort. They are plants for busy imbeciles. If the name is too much for you, you can call them Cape Primroses, one of their names in their native South Africa. It is the leaves, not the flowers,

which have a hint of a primrose about them.

The trouble was that in the late 1970s, almost everybody else discovered the streptocarpus too. It turned up in chain stores; we all grew the lavender form called Constant Nymph and before long, we started to wish that she was fickle. Instead, she went on and on, flowering in every house one visited without ever setting the world on fire. Like me, she was bred in 1946, but she came from the John Innes Institute and she has done exactly what was expected of her ever since.

Once you have one Constant Nymph in the house, you soon had a whole chorus of them. If you want to increase a streptocarpus, all you have to do is to cut off a healthy young leaf in early summer and stick it, cut

and downwards, in a pot of light, open compost. So long as you keep it out of the sun, the leaf will sprout roots after a month to six weeks. Constant Nymph became constant everywhere, until many of us felt that we had had enough.

Last May, at the Chelsea Flower Show, my enthusiasm returned. Here were streptocarpos no longer in constant blue with a few little whites and an insipid pink, but in all sizes and colours.

In North Wales, one family had taken a commercial grip on them. The place to buy a streptocarpus is Dibley Eke-nachty Nurseries, Llanelid, Ruffin, LL15 2JG, North Wales. Unlike the streptocarpus, the nursery does not have a friendly second name but you can ring it on 097-888-677 if you cannot face spelling its post

code. At the last two Chelseas, the family went away with gold medals. In mid-March they will be starting to send out plants by post: most of them at £1.30 to £1.60 each. From one plant, you can use the leaf-trick and breed dozens for yourself.

Since Chelsea, I have had their streptocarpos in the house: I have to hand it to their stamina. Watering has been irregular; temperatures varied wildly: whitefly stripped a nearby fuchsia, but the blues, whites and purples of the streptocarpos have been growing mightily, undeterred by it all, even by visiting burglars who must have liked them too, because they put them respectfully on the floor before looting the cupboard behind them.

Gone are the days of Nymph-like lavender and insignificant white.

The Dibleys have revived various English hybrids bred since 1989; they have imported some good new blood from the Continent (one of my favourites is Swiss); they have added some wild forms too and are breeding good hybrids of their own. Most of their list has the same, welcome constancy, but the colours, range and size of flower are utterly superior. Why bother with Constant Nymph when you can write off for Amanda, so much richer in colour with a beautiful white throat, daisy petals and a much tighter, rounded head? The old whites are as nothing to Dibley's Albatross variety which stood out so clearly on their Chelsea stand. It looks spectacular beside the deep,

dark purple called Elsi, my pick of the family because it looks like black velvet. My only reservation concerns some of the more way-out shades in pink and red.

None of these forms is any more difficult than the ones which we now see everywhere in dentist's waiting rooms; they are simply ten times better. The same rules apply to them: not too much water in winter, not too much heat or attention, and regular feeding with liquid fertiliser from April onwards. The plants caught to flower from May to October. If you over-water them, the leaves will probably tell you by rotting at the base: if you over-feed them, they respond by swelling absurdly in size. Like a Sensitive Plant, they react to your attention, but they are almost impossible to kill.

My only regret is that none of the new hybrids is scented. There is scent in the family, although I do not find it very strong: you can catch it in these wild forms, some of which Dibley lists, because their flowers are rather more delicate. A happy streptocarpus needs only to be treated more or less as nature treats it at home.

Most of the modern hybrids derive from parents which grow in wooded valleys in South Africa's Drakensburg mountains. They do not like too much direct sunlight or too much heat: if you must stand them on a windowsill, be sure not to stand them on one facing south.

Streptocarpos may not be gardenias, but they do drop their buds and they do wonder for morale indoors. Dibley now lists about 35 varieties, with names ranging from Carol to Tina. They really are plants for everybody, however chaotic or hapazardous. The virtues are still constant, but the nymphs are, now waiting there, in greater force than before.

The glories of Kew, as bound in colour

THE FIRST issue of *Kew*, a quarterly magazine published by the Royal Botanic Gardens, Kew, has just arrived. It is an excellent publication and has found a previously unfilled place in the vast market for information about plants by including information on conservation, environmental problems, botany for non-professionals, practical gardening, cookery and reviews of new books on these and allied matters as well as answers to readers' questions.

It is well produced and illustrated in excellent colour. Its editor, Jeremy Cherfas, a *Weekend FT* contributor, devotes his first editorial to explaining why it is not printed on recycled paper. That is what both he and the publishers would prefer but, after a diligent search which still continues, the answer to finding anything that gave them the quality of printing required.

They settled for a paper made of pulp from trees grown in efficiently-managed forests. But his final words show where his heart lies. He says: "Obviously I hope you will keep this magazine. But if you decide not to, please don't waste it, recycle it."

A second article by Cherfas comes much closer to everyday gardening: what is it that tells a plant when it is time to start growing and when to become dormant?

One tends to think of it as just a response to spring and autumn; to lengthening days and rising temperatures at one end and shortening days and

falling temperatures at the other. Yet clearly it is much more than that.

In Cherfas's own words: "What are snowdrops doing exposing themselves in what are usually the worst weeks of winter, when in a reasonable year there will often be snow on the ground? How do they manage to orchestrate their first appearance for almost the same week every year? In short, why do they ignore the winter?"

It takes him six well-illus-

Arthur Hellyer
enthusiases over a
new publication
for gardeners

trated papers to explain some of the answers to these and similar problems and to admit that there are still mysteries.

In Panama there is a tree called *tabeluia* which shortly after rainfall covers itself with yellow flowers, rapidly followed by seeds which ripen and fall. If more rain comes a few weeks later there will be another burst of flowers and seeds. Other plants in this region behave in a similar way.

Scientists have proved that a shrub named *Hybanthus prunifolius* needs a minimum of 12 mm of water to make it flower an average eight days later. But it also needs some drought before it makes a repeat performance. Keep watering it and it will never flower.

Equally remarkable is the story that starts with a single plant of the hardy lady's slipper orchid, the last of its kind in the wild in Britain. Its whereabouts are only known to 10 people who form a committee devoted to its preservation and increase. The problem is that no-one knows how to make its seeds germinate and grow.

The basic problem is that all orchid seeds are so minute that they contain no reserved food. Instead they form a partnership with a fungus which contains all the materials required. However, it is a very special fungus and that is what is missing for this lady's slipper.

Mark Clements, who had been studying this problem in Australia, was brought to Kew in 1983 to continue his work on all British orchids that are at risk. Christopher Bailes had already started to search for the ideal soil in which to grow the plants and Robert Young discovered the combination of conditions the young plants required.

The first wild orchids raised by their combined efforts were planted at Wakehurst Place in West Sussex in 1987 and flowered the following year but as yet the lady's slipper is not among them. The whole story is well told by Stephanie Pain and delightfully illustrated.

There is also an article on hellebores, the hardy, or almost hardy, plants which we call Christmas roses and lenten roses, though they are not roses, or in any way connected with them. A few are a little difficult but most are easy and



This hellebore is one of the many illustrations contained in the new magazine from the Royal Botanic Gardens

especially suitable for shady places. Catherine Cauley gives a comprehensive account.

Copies of *Kew* are mailed free to all Friends of the Royal Botanic Gardens, particulars of which can be obtained from the gardens at Kew, Richmond, Surrey, TW9 3AB.

Conservationists in Hull, are

concerned about an application by Hull University, to be heard in April, to build houses on a significant part of its botanic garden. If granted this will mean the destruction of the glasshouses and the dispersal of an important tropical plant collection. Particulars from Philip Swindells, Vale Lodge, Ripley, Harrogate, HG3 3AY.

Country View

Bring back the wild boar!

Michael Stourton praises a truly wild animal

BEARING IN mind their commonness on the continent of Europe, it has always struck me as remarkable that wild boar, in the wild state, are extinct in Britain. Some research led me to an account of James I hunting wild boar in Windsor Park in 1617. Another source claimed that the last truly wild boar was killed in Cannock Chase in Staffordshire in 1683.

I also discovered the Hampshire village of Bourne, near Portsmouth. This sounded promising until inquiries made through a local historian revealed that the village is called after a medieval family named de Bourne who were once prominent in the district.

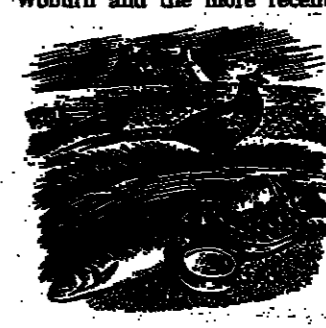
The likely explanation is, in the phraseology of modern conservationists, destruction of habitat. As rural Britain underwent deforestation, so the native wild boar was less and less able to hold their own. But, by the same token, the afforestation that has been taking place in the UK since 1919 has created many areas which would appear to be favourable to a reintroduction of wild boar: a move unlikely to hold much appeal for most farmers.

Another factor that makes the intentional reintroduction of wild boar unlikely is the Dangerous Wild Animals Act of 1976. This piece of legislation not only forbids the freeing of wild boar, but also lays down rigorous conditions under which they may be kept in captivity.

The very expression

"dangerous wild animal" applied to wild boar will probably strike continental ears as melodramatic. There is, for example, a colony of wild boar living in Spandau Forest in the suburbs of Berlin; much closer to the city centre than, say, Epping Forest is to central London.

The greatest risk is likely to result from accidental escape; as happened with the now common Muntjac deer from Woburn and the more recent



escape of wallabies in Derbyshire.

Under the Act, anyone intending to keep wild boar in captivity must first obtain a licence from the local authority. This will only be granted after the veterinary surgeon retained by the local authority is satisfied that the proposed housing and fencing are sufficiently secure and generally suitable.

When, tongue slightly in cheek, I telephoned a district council in the south-east of England and asked the operator if I could speak to the department that dealt with

wild boar, I was the one who was nonplussed. "Certainly, sir," came the unhesitating reply. Within seconds I found myself speaking to someone fully familiar with the finer points of the Dangerous Wild Animals Act as applied to wild boar.

There are perhaps less than a dozen serious producers of wild boar in the United Kingdom. Despite competition from imported meat, particularly from eastern Europe, there is a strong demand for home-grown wild boar meat. Would-be British producers are, however, faced not only with high accommodation costs but also with the considerable expense of building up their breeding stock.

For example, a breeder in the south-east paid recently £6,000 for 14 wild boar (10 sows, four boars) from Denmark. His regulations which govern the importation of five animals are stringent. There are only a handful of countries where disease control import regulations are met. Among these are Sweden, Switzerland, Denmark and Hungary.

Perhaps one's choice of food should not be too much governed by romantic notions, but for myself I would prefer to think that the wild boar on my plate is of wild origin: even if that wild habitat is in the suburbs of Berlin. British law seems to rule out Richmond Park. But, wild boar shooting rights are of considerable value on the continent. Why not here?

MOTORING

Drink-driving kills, but sober amateurs kill more

Stuart Marshall urges a return to road safety fundamentals

ONE CANNOT open a newspaper nowadays without reading about road safety. Everybody must be in favour of reducing the annual toll in Britain of about 5,000 deaths and more than 300,000 injuries - but are we going the right way about it?

Pet theories abound. We are told by those who would like a 50 mph (80 kph) motorway limit that speed kills, when clearly, by itself, it does not. What does kill is excessive speed for the circumstances, it leads to accidents that are fatal when they might otherwise have been merely damaging, or might not have happened at all.

Some advocate a total ban on alcohol plus continuous random breath testing as the most pressing road safety need. Official statistics, they say, indicate that one road accident in five is in some way drink-related. If true, it is disgraceful, but it also means that four out of five have nothing to do with alcohol.

Others concentrate on passive safety measures, such as compelling cyclists to wear safety helmets.

No sane road user can be in favour of driving at dangerously excessive speeds or after having had a drop too much, especially if drink makes them fast and reckless rather than slower and more careful. And I suppose that forcing cyclists to wear plastic helmets would save a few lives and prevent rather more broken heads, say. But none of these things really addresses the fundamental question of how to make our roads safer and casualties fewer.

It has to be said that our record in Britain is good by European standards and superb compared with 50 years ago. Then we had one-tenth

the number of vehicles but managed to kill twice as many people each year on the roads as we do now.

Most traffic accidents are unnecessary; they are caused and do not "just happen." Almost every road death or serious injury should be avoidable. But how?

The Royal Society for the Prevention of Accidents is addressing the problem. In the latest issue of its road safety bi-monthly, *Care on the Road*, it asks: "Has road safety lost its way? Are we chasing the right objectives - or are the fundamentals being forgotten?"

David Rogers, RoSPA's road safety adviser, seems to feel

This is a point frequently made by RoSPA and other organisations like the Institute of Advanced Motorists and the Guild of Experienced Motorists. And dare I say? - by this column.

RoSPA and the IAM run courses in driver training - I have taken several of them over the years - as well as in accident investigation and prevention, safety audits and so on. There are also plenty of commercial organisations selling driver training, mainly to companies running large fleets of cars, with great benefit to their insurance and repair costs. Rogers says that in providing their courses, RoSPA and other like-minded bodies

for vehicle speed limiters. By April this year, all motorway-using coaches must have a device that prevents their exceeding 70 mph (113 kph).

In the main, bus and coach operators have always complied with the regulation and are not too unhappy about it. Some lorry operators, too, are said to favour speed limiters on heavy vehicles. They see them as a means of saving fuel and reducing wear and tear as well as accidents.

But what about cars? RoSPA's Rogers argues in favour of them. He says the government should legislate to make them compulsory on all cars destined for the UK market. They should operate at 90 mph (145 kph).

There is nothing new about speed limiters on cars. They have been compulsory in Japan, where the motorway limit is 100 kph (62 mph), for years. As they monitor transmission, not engine, speeds, you can drive as hard as you like and the limiter has no effect at all on acceleration. All that happens is that when the speedometer says 100 kph (123 mph) the car simply will not go any faster.

Should we have car speed limiters? I can't see any good reason why not. They would at least put an end to the wink, nudge, nudge copy in car makers' advertisements about their latest creations having top speeds of 150 mph "where the law allows".

Irrelevant though such claims are, they do tend to give irresponsible and immature people the wrong ideas.

Perhaps the limit could be set for 100 mph (161 kph). If it were, it would prevent some fast car drivers, members of the Royal Family and Her Majesty's Opposition included, from losing their licences.



Wide tyres, narrow road

Stuart Marshall warns against choosing cosmetics over practicality

TWO executive-class cars I have driven recently point up the downside of choosing tyres for cosmetic reasons and the benefits of automatic transmission.

A BMW525i automatic is a wonderful car in standard form but the one I drove for a week was the special equipment model, with wider than normal tyres - 225/60-15 against 205/65-15. The ride was very comfortable and tyre thump surprisingly subdued.

But even BMW's development engineers cannot stop wide tyres from wanting to leave the straight and narrow if provoked into doing so by the road surface. So the 525iASE was occasionally fidgety at motorway speeds, just like the much humbler (but also wide-tyred) Hyundai 5-Coupe GSI I wrote about last week.

Otherwise, I think the BMW approaches perfection - if you (or your company) can afford close to £28,000 for your personal transport complete with 5-speed automatic transmission, on-board computer, headlamp wash system and power-adjusted front seats.

It was my first experience of a 5-speed automatic, a transmission soon, I suspect, to become standard equipment on luxury executive cars. It

works so beautifully, slipping down unnoticeably into fourth at 75-80 mph (121-130 kph) for extra acceleration, that I really cannot see much point in shifting gear for oneself any more.

Of the four new version Fiat Croma I tried in France last month, the one I liked best was a 2.5 litre turbo-diesel with automatic transmission and my least favourite was the 2.0 Turbo (pictured above). This 158 horsepower model was very quick and had sharp handling, but the banging of the V-6 rated 60 series tyres did nothing for ride comfort or tranquillity on secondary roads.

The 2.5 TD, with 118 horsepower, offers similar performance and ride quality to the 119 horsepower, petrol-engined 2.6. Its consumption will be lower and it will have a longer retelling range, which can be a time saver on motorway journeys.

Fiat, which so far has not had much luck with the Croma in Britain, hopes to sell about 1,000 of them here in the next 12 months. It has no plans at present to bring in either an ultra-economical 2-litre direct-injection diesel or the 2.5 TD, though it may change its mind if diesel sales continue to climb.

All the Cromas I drove had lovely soft black leather seats with power adjustment. These will be standard equipment only on the fuel injected 2-litre SX and 2-litre Turbo, an extra

on the carburetted 2.0 CRT. Prices are unlikely to be much higher than those of the current Croma when the cars arrive in Britain within the next few weeks.

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Papua New Guinea: will villagers' sons ever wear these headdresses?

Warriors in a world of change

Sebastian Hope explores Papua New Guinea, where modern ills are fast replacing ancient customs

I DIDN'T know if I should get off the truck or not. At the bottom of a nondescript track leading up a hill was a scene out of *Boy's Own's* Darkest Africa, the life of Livingstone according to Hollywood, and I was not even in Africa. I was in the highlands of Papua New Guinea, the darkest corner of the other black continent, Australasia.

There was a crowd milling around 50 half-naked men, who were being made-up, oiled, crowned with tall and plumed headdresses. Six foot to a man, spears resting in the crook of powerful arms, chests shining, their stillness seemed a threat. And they were looking at me.

I tried a smile, and said "Morning, na?" to the nearest giant. The truck through his nose did not stop him smiling, nor the spear from shaking my hand, and his trappings of savagery did nothing to disguise the urbanity of the English with which he returned my rigid greeting. I offered him a cigarette which he stuck in the corner of his mouth while his wife oiled him; as we talked, his decoration progressed.

Already the wide bark belt was being fastened to the drapes of woven siring in front, called a *laplap*, and the bunch of tanned leaves behind, called *araras* (appropriate sounding, but in fact scrupulously named). His legs had a coating of ash and his arms and torso one of pungent oil.

From his neck hung a kina-board, a crescent-shaped piece of mother-of-pearl, that once served as currency, set in an oval shield of wood smeared with red clay. Most of his face was painted black - a white mask surrounded his eyes and extended down his nose to a red blob at the tip. Twisted into his beard were strands of moss.

The headdress quivered as the reddish oil was smeared on his back. It rose from an iridescent pair of bird of paradise wings above the opossum head-band through parrot and bush turkey plumes to the tail feathers of the sicklebird, sheeny black and 4ft long. It had been worn by his grandfather before the Leaky brothers, the first explorers, came to the Wahgi Valley 15 years ago. Adorned, he looked every bit the paleolithic hunter-gatherer.

Much has changed in the PNG highlands since the days of prodding the white ghosts' faeces with sticks, wearing empty bully beef tins as decoration and fear of the great pigeon that carried men in its belly. Yet at this highland singing the Stone Age seemed

advice and well. The ceremony to mark the end of a pay-back feud between two villages, started in their grandfathers' era, followed the time-honoured stage directions. The offended tribe gathered at the bottom of the track and then, formed into platoons, marched into the village of their erstwhile enemies chanting, stamping and shaking an assortment of weapons.

There, on three sides of a rectangular clearing, the offenders waited. There was more chanting, drumming, synchronised leaping and shaking of weapons. With a whoop the visiting team rushed into the pocket of opposing warriors, stopping just short and threatening their adversaries.

Once the mock charge had been made, the attackers formed a line and joined in the jumping that set the headdresses swaying and the ground vibrating. The final configuration was the linking-up of the lines into three circles, all tribal distinctions discarded.

Then the dancing became a display by the younger men for

The headdress quivered as the reddish oil was smeared on

the benefit of the unmarried girls who made up a large part of the watching crowd. I, too, was caught up by the rhythm and the ritual dynamic; I forgot, for a time, that I was an outsider.

As my wonder passed, I began to notice more modern intrusions: the cigarettes that the ushers supplied to the chain of dancers; warriors wearing shades and Hong Kong watches. More insidious was the presence of imported articles that had been used as substitutes for traditional decorative forms: the odd peacock eye in the headdresses, the odd ostrich plume.

Military badges often acted as the centrepiece for the headdresses of the older men, and one progressive warrior had the printing wheel of a Dymo letterer hanging from his nose in place of an ostrich shell.

I discovered the most disturbing western influence on talking to a village elder. The paying of livestock as compensation had been replaced by money, about £14,000. The village, collectively, had taken a bank loan to raise the money. The elder was proud that the sum was so large.

This happy-go-lucky attitude towards money is the cause of many of Papua New Guinea's social problems. It can be witnessed in the wholesale drunkenness that infects most towns on the bi-weekly "pay Friday". It is apparent in the scroungers of the *wantok* system who touch extended-family members in work for money, food and accommodation. Some poorer villages even make a living out of being beaten up in tribal squabbles and then extorting money for damages.

Yet this attitude cannot be dismissed, as it often is, as childish or primitive. It is a vestige of the *moga* custom, the passing of wealth from village to village as a display. But the certainty of the *moga* was that the giving would come full circle and so effect an exchange between villages. Where the traditional barter is replaced by money, ritual becomes hollow, the beginning of a debt rather than the investment of spiritual capital. A closed system is broken.

The reaction of the large Australian companies operating in PNG to this endemic lack of money-sense merely aggravates the problem. Responsible posts, from lower management up, are filled by expatriates. This leads to a colonial tension at work which sometimes spills into violence against whites, heavily reported in the Australian press and perpetuated by the stockade mentality of most expats. Denied opportunities in business, the only career open to the nationals in a country independent in name alone is politics.

In the past, the PNG government has not been in a position to offend Australian interests. When the country became independent in 1975 the annual Australian grant made up 50 per cent of the country's budget, by 2000 it will be 10 per cent or maybe less.

Projects such as the Ok Tedi gold and copper mine should guarantee continued economic growth, but the cost of development is not just monetary. The recent violence on Bougainville island shows the resentment against central government and multinational business that the loss of tribal lands and lack of profit-sharing can cause.

That evening, as the village returned to the modern world, the headdresses were wrapped in newspaper. I wondered whether the villagers' sons would ever want to wear them, or whether highland culture would have lapsed into pointlessness and bankruptcy before they had a chance.

How safe is it to go on holiday this year?

MANY POPULAR Mediterranean destinations are well outside the area of Gulf conflict - countries such as Spain, Portugal, Yugoslavia and Greece. The risk, however, lies in potential terrorist action and that probably depends on how the war turns out.

It is the same with long-haul flights: the potential threat of another Lockerbie disaster is there, although increased airline security, such as that introduced by British Airways this week, is reputedly minimising the risks.

Which countries shouldn't I travel to?

The Foreign Office has advised British citizens not to travel to the following countries: Algeria, Bahrain, Bangladesh, Burkina Faso, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Nigeria, Pakistan, Philippines, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, Turkey (south-east), United Arab Emirates, Yemen.

In London the Foreign Office has a freephone number, 0800-468646, with recorded updates of the list.

Cyprus has not been deemed unsafe by the FO, though most big tour operators have cancelled Cyprus holidays. Several independent tour operators still accept bookings.

What happens if my holiday is cancelled by the tour operator?

If the operator cancels your holiday because it thinks it is unsafe (as many did with Cyprus), you will get a full refund. Operators are monitoring developments in the Gulf but are generally only taking decisions to cancel about a month ahead, rather than cancelling all summer bookings.

What happens if I want to cancel because my family are worried?

If you cancel you are liable for the cancellation charge as laid down by the operator in its brochure. Generally, the closer to departure you cancel, the more you have to pay. If you holiday destination is on the FO's "unsafe" list, it might be better to wait for the operator to cancel nearer the departure date so that you avoid this charge.

Could I change my holiday destination instead?

By and large - yes. If you feel happier choosing a different destination, most operators will let you make an alternative booking so long as it is with the same company. Normally operators charge an amendment fee to cover administration.

However, some operators are letting customers change their bookings from "unsafe" destinations - even if they are for holidays several months ahead - to other holidays and waiving the fee.

Will my insurance cover me?

Most travel insurance excludes any liability resulting from war and terrorist attacks if they are attributable to war. Top-up policies can usually be arranged through your travel agent to cover war risks.

I understand that the travel trade is suffering badly from the war and recession. What happens if my travel company goes bust?

There is a real possibility of travel agents and tour operators falling on very hard times this year. Size alone is no guarantee of survival: big companies may be just as vulnerable to high interest rates and lower demand.

The safest course is still to book with an operator or agent that has lodged a bond with

The Association of British Travel Agents (ABTA) which

guarantees the return of your money if the company goes out of business. While all ABTA tour operators must have bonds, not all travel agents needed to in the past. Following last year's collapse of the unbonded Exchange Travel, ABTA says all agents will be covered within the next month.

Specialist tour operators that are not ABTA members have also organised a bonding system through the Association of Independent Tour Operators. Check that your operator or agent is bonded before booking.

If I delay booking, will I get a better deal?

Probably not. Tour operators will have to decide later this month how much capacity they think they can sell in the summer. This time last year they cut capacity by 20 per cent rather than be left with unsold summer holidays which they would have had to sell at giveaway prices. The strategy worked and is likely to be repeated this year with at least another 20 per cent cut in the number of packages on offer.

If demand picks up, there could be a shortage of peak-period holidays. Package deals will still be available but choice will be limited.

What about special deals from travel agents?

Big multiple agents such as Thomas Cook, Lunn Poly and Pickfords are still offering discounts on holidays booked through them (virtually unheard of at this time of year). Because of their investment in shops and facilities they need high-volume business to stay profitable - hence the discounts. Their belief is that even in a smaller market they can win extra business at the expense of smaller agents.

Obviously, if you know exactly which holiday you want it makes sense to book through a major multiple and get the discounts. On the other hand, small travel agents are worth using if they can offer better service and advice than a chain. Many small agents do offer this and have a loyal clientele, so it is worth asking your friends for recommendations.

Would independent travel be better than taking a package this year?

Even before the Gulf war, more people were making their own holiday arrangements. Cross-channel ferries are likely to be heavily booked in the peak season, although so far there is still plenty of capacity. Seat-only charter flights, however, may be in short supply if, as

seems likely, one or more charter airlines is forced out of business before the summer.

Are there any special deals currently on offer? Now is certainly a good time to travel if you have the money, and are prepared to take a very small risk. Most scheduled airlines have plenty of seats but are loathe simply to give them away.

Specialist travel agents that offer discounted air tickets are reportedly dropping prices to customers, although they are not advertising the fact. Similarly, many top-grade hotels - especially in London and other major cities - are prepared to do deals to fill up empty rooms. It really comes down to how much you want to haggle.

By the spring, many airlines may launch special promotions to win back business and these may be worth waiting for.

What about holidays in Britain? Even before the Gulf war, UK holidays were expected to do well this year because of the recession. If the conflict continues for some time, many more Britons may stay at home for their holidays, or present there is plenty of capacity at seaside resorts and holiday centres, although places like Butlins and Centre Parc are filling fast.

What happens if the war lasts longer than expected?

The effect on the travel trade would be devastating, with many companies going out of business. Florida, the most popular long-haul destination for Britons, is already suffering - a downturn and likely to continue to do so if the terrorist threat persists. Spain, though, is already certain to have a very good year and will probably continue to be seen as the safest place for a short-haul sunshine holiday.

In summary: try to avoid cancellation charges; check your insurance cover; check that your operator or agent is bonded (very small travel companies can be excellent - but the risk is yours); don't count on significant discounts if you delay your booking; peak-period package choices may be quite limited; if you can handle the indignity, haggle mightily - especially with hotels and particularly with luxury ones; learn to love paella.



A Madrid tapas bar: Spain is certain to be popular again with short-haul travellers

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BOOKS

Kiss of life for Planet Earth

Andrew Clements reflects on Gaia, a theory with seductive possibilities

TO THOSE of us reared on the hard-nosed mechanistic science that prevailed up to the mid-1970s, the new theories of the past decade have already administered enough shocks to our neatly ordered systems of things. The burgeoning of chaos theory has invaded almost every branch of the physical sciences; the search for a fundamental theory of matter has expanded into superstrings, twistors and ten-dimensional space; the latest ideas on astrophysics postulate that the observable universe makes up less than ten per cent of the total, while the rest, the "dark matter", is made up of unknown particles that we cannot detect or measure but is nevertheless all pervasive.

THE REBIRTH OF NATURE: THE GREENING OF SCIENCE AND GOD by Rupert Sheldrake

Century £14.99, 230 pages

Yet all that is potentially of less importance to life on earth and its future than the concepts of Gaia, the bundle of interconnected ideas first put forward in the late 1970s by the British scientist James Lovelock and the US microbiologist Lynn Margulis. They propose that the Earth is a living organism, a system sustained above all by its microbial life, which modifies geological and climatic conditions on the planet to suit itself. Without life, for instance, Earth's atmosphere, like those of Venus and Mars, would be predominantly carbon dioxide with little free oxygen; photosynthesis regu-

lates its composition, keeping oxygen at the optimum level, too little and life would not be able to sustain itself, too much and there would be spontaneous conflagration - and at the same time keeping the surface temperature from rising to levels that would be equally life-threatening. In all its ramifications it is a theory that brings life and geophysical sciences together in a glorious union; its seductive possibilities are as obvious as they are implausible to neo-Darwinists wedded to the mechanisms of inheritance and natural selection.

It is the development and progressive sophistication of those Gaian ideas that Lawrence Joseph charts in his determinedly populist account. His research has been thorough, but the approach is relaxed,

just a little too cosy and unashamedly *parti pris*. He does, though, include material from interviews with some of Gaia's most impressive opponents, including the Oxford geneticist Richard Dawkins. "The Gaia theory thrives on an innate desire, mostly among lay people, to believe that evolution works for the good of all. Profoundly erroneous."

Nevertheless, those wishing to get on terms with Rupert Sheldrake's staggeringly ambitious thesis would do well to absorb Joseph's presentation of Gaia theories first. And they would benefit too from a quick canter through *The Golden Bough*, the Christian mystic, *The Revelation of St John the Divine*, and Sheldrake's own previous books - his cross-cultural range of reference is

astounding, and the synthesis of science, philosophy and religion he proposes equally mind-stretching.

The Rebirth of Nature begins with a historical critique of humanity's relationship with the Earth. Sheldrake demonstrates that until the 18th-century Enlightenment it was natural for humanity to regard the earth as living; it was assumed to have a gender (usually feminine), and a natural relationship with its inhabitants. Yet when rationalism replaced wonder in "advanced" Western thought the earth lost its animism; its processes could be explained away in mechanistic terms, its riches were there to be exploited and plundered, and past connections with the living world persisted only in the collective memory of folk.

Now, through Gaia, Sheldrake suggests, humanity has the chance to make its peace with all that was abandoned for the sake of material progress two centuries ago. "As soon as we allow ourselves to think of the world as alive... we can begin to reconnect our mental life with our own direct, intuitive experiences of nature."

That, though, is only the half of it. More than 50 years ago Einstein postulated the idea of a unified field theory, a mathematical model that would allow the four force fields of physics to be brought together in a consistent treatment. Now, at a moment when theoretical physics seems close to achieving Einstein's ideal, Sheldrake moves the goalposts, proposing a field theory that would combine life, the universe - everything, even God.

In his earlier books Sheldrake pursued his hypothesis of formative causation, in which all organised systems, from the simplest molecules through to organisms and communities of organisms, were

determined by "morphic fields". Like influences like through time and space; past individuals can shape the development of future generations through morphic resonance. Morphic fields also provide Sheldrake with a model of memory, not as a physiological property of nerve or brain cells but as resonances to which animals "tune in" as necessary. And by combining all this with Gaia, a living world that by definition must create and still be creating its own morphic fields, all the strands are pulled together, and religion stirred into the mix too.

We have a choice of philosophies: the mechanistic theory of nature and of human life, with God as an optional extra; or the theory of nature as alive but without God; or the theory of a living God together with living nature.

Sheldrake settles for the third option, a God who has evolved in parallel with the earth he has created; the final section of his book explores the nature of mystical experiences, cultural images of God and the Earth, even the accuracy of prophecy and the efficacy of prayer, always offering methodologies rather than solutions. *The Rebirth of Nature* is a fascinating, profoundly influential book crammed with unexpected ideas. It seems at times oddly unscientific - we old-fashioned mechanists were taught that viable theories should be able to explain both known experimental observations and make predictions about the results of future ones - yet most of Sheldrake's hard evidence is circumstantial. But if only ten per cent of his ideas proved to be demonstrably accurate its effect upon scientific thinking would be colossal, and the remaining dark matter would still be out there somewhere, just waiting to be quantified.



A third-century BC statue from Crete of Gaia, the Mother Goddess Earth.

Paradise lost

GREAT THINGS are planned for the quinquennial of the discovery of the Americas next year. There will be parties and events in at least 32 countries on both sides of the Atlantic. A World Fair will be held in Seville; a 400-foot lighthouse is being built in Santo Domingo; perhaps the showpiece will be a symbolic marriage between the Statue of Liberty in New York and the statue of Christopher Columbus in Barcelona, during what is already being billed as the Columbian Olympics.

So many billions of dollars have already been earmarked for this hemispheric festival that probably nothing short of a world war can now prevent it. Yet in the view of one man at least, Kirkpatrick Sale, the rejoicings will represent an enormous sham, a total misunderstanding of what the Columbian legacy really is. *The Conquest of Paradise* is an attempt not to halt proceedings but to dampen them. What the transatlantic millions will in fact be celebrating, he tells us, is an ecological nightmare founded on a European imperialism that thought nothing of spreading holocaust throughout the New World.

So what's new? The destruction of the Amazonian rain-

forest and the squalid state of all the Americas' indigenous people - both the product of Europeanisation - have been well posted. But in case there are any among us whose defences are not yet prepared, or who think that perhaps Kirkpatrick Sale has stolen a quick one and jumped on the Columbian bandwagon to farm a fast buck, it should be said that his book, written over a seven year period, is at once magnificent and important. It establishes both the eco-historian and his project.

The sweep of *The Conquest of Paradise* is very wide. The early chapters deal with the man, Columbus, and his four voyages. The later chapters take on the immediate consequences of his "discovery", which of course was not a discovery at all but a state-backed enterprise geared to bring Spain riches and dominion. Sale then goes on to examine the evolution of Columbus's largely undeserved heroic reputation, showing how it has enshrined the questionable aspirations of those who gave it him. But all of this is set

within the wider context of the pathology of a sickly continent: Europe.

In 1492 much of Europe was wracked by war and disease. In addition, great damage had been done to the natural environment. Partly this was due to European farming techniques, partly to an inherently

that inspired the Virginia Company in London to send John Newport to Chesapeake Bay. Newport found no precious metals, but his voyage did result in the creation of enormous tobacco plantations. Gold, it was discovered, came in many shapes and forms, the most profitable being also the most deadly. And so began what was to become the US.

The ways of the vast majority of the many millions of tribal peoples who then inhabited North, Central and much of South America were in sharp contrast to European avarice. Organised in units for the most part no larger than villages, they lived in real proximity to nature; they had evolved a sophisticated agriculture according to which crops were intermingled on the earth, to avoid soil erosion and ensure soil enrichment. These Indians saw themselves not above nature but as an integral part of it. They were the earth's servants. As such, they and the sailors who braved the Atlantic storms, are the true heroes of Sale's inquiry. The

THE CONQUEST OF PARADISE by Kirkpatrick Sale

Hodder & Stoughton £16.95, 433 pages

antagonistic attitude toward nature itself.

Yet at the same time endless wars, engulfing many West European nations, had created economic desuetude. The wars had to be financed, and the best form of finance was gold. Gold figures mightily in Columbus's journals, and it was the promise of gold that compelled Ferdinand and Isabella to underwrite the Genoan's expeditions. Similarly, in the first quarter of the 17th century it was the idea of gold

shattered in a daring piece of plotting which just about comes off. It is a haunting, beautifully written lament for the isolating power of love; the wind blown, limpid northern landscape exactly defining the desolation of the wandering soul which haunts it.

Charles Palliser had a hit on his hands with *The Quincunx* two years ago, but *The Sensationist* manages to be both sparse and overblown, its portentousness in direct proportion to its exquisiteness. The protagonist, David, arrives in a cold northern city to take up a stressful job apparently connected with computer wizardry; somehow the strain of the job is offset by drug taking and a series of obliquely managed sexual encounters which are the only reality which hits this zombie.

Until, that is, he becomes

enmeshed in an obsessive affair with a girl whose feelings and moral sensibilities are as dislocated as his own. They drift apart, come together again violently, drift apart. Only when she succumbs to drugs and madness is he free, as blank and cipher-like as he started. It is an uncomfortable, chillingly told in sound bites of passionless prose which accentuate the distance between the sensationist and the rest of the world.

The suffocating, tacky quality of obsession is disturbing but the power of this effect is too often sidelined by some shattering banalities: "Until then, he believed, he'd never made love. Never known the finding of self in the unawareness of self, the celebration of something beyond the pleasure of receiving..." When one finds goblets like this in the gloomy, doomy macho pie, one looks for more nourishing fare.

Jane Rawlinson's generous Victorian pastiche is about as far removed as can be from Palliser's nervy, edgy spareness. In her fictionalised account of the life of Richard Dadd, the 19th-century painter, obsession becomes full blown madness. The affecting story of the Dadd family, most of whom died insane, is told by Elizabeth Carter, their childhood friend, whose love for Richard is doomed after he kills his father and is confined to Bedlam. She marries a decent quiet man, has a family, grows old. But side by side with her account of Dadd's tragedy there is her own. At the end of her story, she realises that, for one brief moment, Richard

land as it was before the Columbian hordes arrived is beyond recovery, not just ecologically, but in terms of recorded history as well. By the time Europeans began showing an academic interest in American Indians, the fabric of their society had been fatally damaged not just by the invaders' arms, but also by the invaders' diseases. In the two centuries following Columbus's sailings, what remained of Indian society had probably been transformed out of all ancestral recognition.

For Sale, the Americas were not so much a world discovered, as a world destroyed. And not perhaps a world, but the world. He calls his Indians the first ecologists, and unless we can reacquire their science, then, thanks to the domination and extension of European technology, taken to frightening extremes in America, we are doomed. The Columbian legacy thus becomes, in Sale's hands, one of unmitigated disaster. In the name of commerce, and also in the name of God, entire populations and ecosystems were exterminated. There is, he suggests, nothing to celebrate except our own craven stupidity.

Justin Wintle

Fiction

Obsessive about love

HELP ME PLEASE by Ursula Holden

Methuen £11.99, 186 pages

TOMORROW by Elisabeth Russell Taylor

Peter Owen £13.50, 136 pages

THE SENSATIONIST by Charles Palliser

Jonathan Cape £11.99, 136 pages

PARADISE OF FOOLS by Jane Rawlinson

Andre Deutsch £13.99, 253 pages

the fat woman next door is pregnant by Michel Tremblay

Serpent's Tail £7.99, 204 pages

A SMOKING DOT IN THE DISTANCE by Ivor Gould

Sinclair-Stevenson £14.95, 497 pages

BUFFALO GIRLS by Larry McMurtry

Century £12.99, 350 pages

Dadd captured her true imaginative soul in his painting of her, was frightened off by the intensity of her love for him and asserted his artistic independence, while she "in her weakness and dependency... suffered its hold for nigh on seventy years."

This writer manages to make that most difficult and trying



The poet with the Woolwich

"AS I waddle along in thick black overcoat and dark suit with a leather brief-case under my arm... who knows that a poet is masquerading here as a whey-faced bureaucrat? And who should ever know?" The writer was Cyril Connolly in his wartime role as editor of *Horizon*. Perhaps the disguise was not quite as complete as he pretended. Connolly was not a poet, merely a great reader of poetry. However, the sartorial style above would apply equally well to several of the poets of this period.

Roy Fuller, for instance - as he explains here - exchanged his naval uniform in 1946 for a couple of civilian suits appropriate for a solicitor employed by a Building Society. That had been Fuller's job before the war and as soon as he was released he went back to work at the Woolwich Equitable. Fuller was with the Woolwich for nearly 50 years. In 1982 he retired as the Society's Solicitor to join the Woolwich board. The poet celebrates his 79th birthday on Monday. In the course of a busy life, Fuller has

published an impressive number of volumes, novels, poetry, memoirs. Both sides of his career were reflected in the books he published in 1949, *Epithets and Occasions*, a new book of poems, and *Questions and Answers*, a collection of essays on law and practice.

Fuller's new volume of autobiography, *Spanner and Pen*, begins as he is kitting himself out in 1946 from a tailor's shop in Shaftesbury Avenue. If Fuller ever found it frustrating to have to divide his time between his two professions, he does not show it in this book, which is notable for the sense of quiet acceptance of whatever post-war life had to offer and the writer's steady simultaneous rise in both of his careers. Fuller's late fifties was a particularly crowded time for him. Apart from being Vice-President of the Building Societies' Association, and Chairman of the Legal Group, he was elected Professor of Poetry at Oxford in 1968 and was awarded the Queen's Gold Medal for Poetry in 1970.

His new book is a little dis-

jointed but gives the reader a series of shrewd observations on these separate worlds. His vantage-point is Blackheath, where he and his wife were offered a flat before the war for £1.50 a week and where he has lived ever since. Conveniently placed for getting to his office in the morning, Blackheath and Greenwich were areas beloved by other poets, literary men and artists. Fuller's circle consisted of his great friends, the Julian Symonides, Valentine and Bonamy Dobson, the former professor of English literature at Leeds, the John Prynne, the Day Lewis, Sir George Rostrevor-Hamilton, a former civil servant and poet, Patricia Leedman, the painter Edward Middleditch. Fuller finds the company of such people congenial and tests his observations about literature and life in conversation with them. His only strictures are reserved for a number of well-known publishers and poetry editors. Even at this level one is, it appears, by no means safe from the scourge of the rejection letter.

SPANNER AND PEN by Roy Fuller
Sinclair-Stevenson £16.95, 190 pages

STARES by Roy Fuller
Sinclair-Stevenson £12.95, 202 pages

Retirement brings new responsibilities as a Governor of the BBC in the period of Lord Hill and Charles Curran, and as a member of the Arts Council, from which Fuller rapidly resigned in 1976, the seasons for which he rehearses again. As he gets into his seventies he begins to rely more and more on the 53 bus for getting into London, and he pens a poem to the route.

A visit to his old friend John Lehmann, who lives far afield in SW3, becomes more an excursion for an excursion for this former contributor to *Penguin New Writing*. Fuller observes John's growing parsimony as senility overtakes him. While at Oxford Fuller visits Elizabeth Dayruss, Robert Bridges' daughter, who was a rare exponent of the syllabic pentameter, of a scanning English verse, a question that fascinates him. Apart from this there is nothing said about poetic practice in the book.

Happily Fuller's own creative flow continues, both in verse and prose, even into his late seventies. In 1989, reviewing his most recent collection, *Questions and Answers*, on this page, Elizabeth Jennings noted the "simple grandeur" of these late sonnets. Even more recently Fuller has given us a new novel, *Stares*, set in a private mental clinic beside a lake in the English countryside. Like two earlier Fuller novels, *The Rusted Boys and Image of a Soldier* (both Hogarth, paperback), *Stares* is a complex structure of an English institution. Here the inmates all have a history of trauma including the actor who tells the story. He is arranging a reading of *The Senility* by the patients. Fuller has fun updating Chelkov, showing how most of the patients are driven to madness by professions which help to rehabilitate them. Like everything Fuller writes, the novel is full of wisdom, clarity and irony.

Anthony Curtis

LOVE MAY make the world go round but, as four of this week's writers variously demonstrate, out of control or obsessive it can also put brakes on the wheels of growth, arrest and block the full development of the spirit. The puppeteer's hand is all too evident in Ursula Holden's strained but skilpy tale of a dangerously tempting teenager who ensnares adoptive parents, older colleagues and friends in a tangle of inadequately examined attachment.

Harriet is taken in by Jean, a determinedly self-sufficient spinster librarian whose emotions have never been allowed off the leash. Harriet exploits and then drops her in favour of an older male colleague. Gradually Harriet's provenance and exploits are examined through the eyes of each player in turn: the key to her behaviour too closely linked to the loveless marriage of her adoptive parents, the obsessive, repressed tidiness of the mother, the dubious games of the father. Her dependences are contrasted the with streetwise toughness of her long lost twin

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Clement Crisp hails MacMillan's new work for the Royal Ballet, 'Winter Dreams'

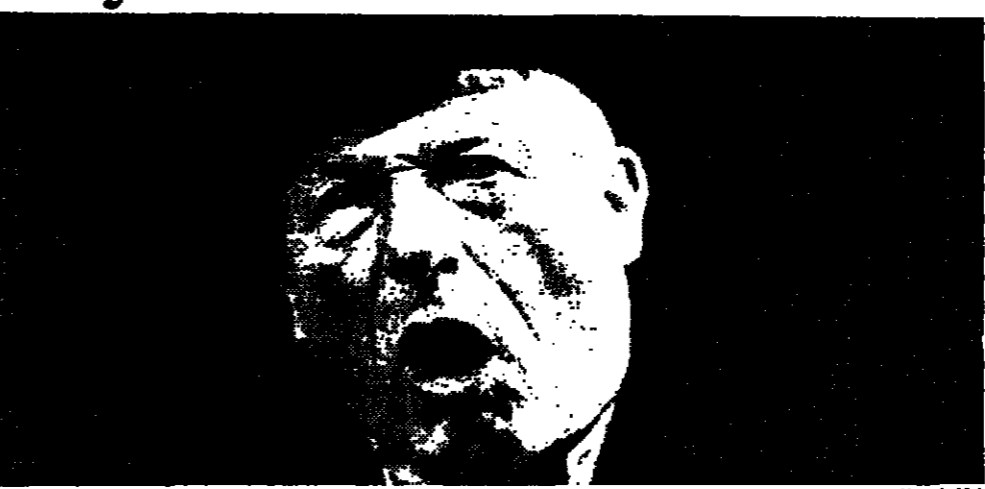
Winter Dreams is going to repay further study. It is complex in structure as in emotional devices. It shows MacMillan still daring, for instance, to find new possibilities for dance, and these new means of narrative, new linguistic forms to express that narrative. And, after recent Royal Ballet novelties most notable for their bombastic stagings, how good to see a work in which simplicity allows the dance to speak. And to speak so potently. About the happy revival and re-designing of MacMillan's *Dances concertantes* I hope to report



Greek myth to music

[illegible]

Shylock in Hammersmith



John Woodvine in the English Shakespeare Company's production of 'The Merchant of Venice'

usual. There is a kind of complicity in it similar to that between Voipone and Mosca in the English Shakespeare's other production. Nerissa

The production sticks faithfully to the literal text while

put on the two plays in tandem. It is not just the Venetian connection: they have other factors in common.

Along that a lighting man lingered a spotlight over his embarrassment. This was the "then" generation shaking its wallet, confident that since

player, none better, but he needs some competition on stage to force him into yet more imaginative riffs, to progress from virtuosity into

decent bloke. Perhaps he will unwind a little on the nights given over to the blues, the genre where his innate melancholy best matches his musical.

S, Czech

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Games, Czech style

nder Michael Fox's direction, the company explore mutual dislike in a basically well-bred way. Klima has made things



just a story that emphasises how much violence may lie below the surface. His second piece, on Tuesday, pointed the same moral.



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mply a romantic tale. David, successful biologist, falls in love with Iva, a worthless girl picked up at a funeral, of all places!). He drifts into her tatty

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Sir William Russell Flint, R.A.

Iva (brightly played by Gina
Bellman) represents the new
way of life that came in with
the Russian tanks; David (Step-

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ers will be offering for
r from all periods.
ality at the

obel award for biology), but danger of trouble when he wants that little bit extra. After Kavanagh directed. Radio 2's Sunday play went

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th Williams. It was good to reminded that Williams was ch a good actor in serious

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Newsdesk. 3:50
Recital. 4:00 World News.
4:00 News About Britain. 4:15
Newsdesk. 4:20
Features in German. 4:39
Travel News. 5:30 World
News. 5:30
Club 548. 5:30 Londres Solr:
News And Features in
French. 6:00 Book of the
Week. 6:15 BBC English
in English. 6:35 News
Desk. 6:40 News And Features in
German. 6:50
In German. 8:50 World News.
8:50 Personal View.

8:25 Words Of Faith. 8:30
Ned Sherrin's Counterpoint.
8:35
Sports Roundup. 9:15 Music
For A While With Richard
Baker. 9:15
News. 11:30
11:30 World News. 11:35
Words Of Faith. 11:40 Book
Of The Week. 11:45
A While With Richard Baker.
12:20 Newsdesk. 12:30
Of The Week. 12:35
News Summary. 1:27
Garrett Browning. 1:45
Instruments Of
1:50
1:50 World News.
2:00 Review Of The British
Press. 2:15 Andy Kershaw's
World Of Music.

2:30 Composer Of The
Week. 3:30 World
News. 3:35
About Britain. 3:50
Britain. 4:15 Goodbooks. 3:30
Anything Goes. 3:59
Weather. 4:00 Newsdesk.

took East's queen and drew a second round of trumps. He then cashed the diamond ace

live hearts, and four clubs, and therefore three clubs. He can throw one club on a spade while dummy ruffs, but unless he has both queen and knave of clubs, he must lose one trick. "Quite right," said West. "I am sorry."

You see how important it is

17 Victory Inconclusive against boys, London EC2.

هكذا من الأصل

Private View

A WILLOWY figure encased in shiny black silk, tight round the hips, square at the shoulders and slashed down the front. She must be nearly six feet tall in her high heels. Jane Glover cuts quite a dash as she takes the podium and launches into an energetic performance of a late Mozart symphony. She almost dances it, her knees bent, body swaying and long arm whipping the baton to every beat.

Miss Glover knows that she makes an impression and admits that she loves the dressing up bit of her job. But that is about the only concession she will make to public curiosity about her, a rare female in a male domain.

On television, which brought her into the public eye, she always seemed to me rather severe and schoolmistressy. In real life she is more engaging, more of the jolly headgirl, and (dare I say it?) prettier.

But behind those frank and intelligent eyes is a wary, cool creature. She is tightfisted with her thoughts on any but the most innocuous topic. Step across the invisible line and you walk from sunshine into frosty night.

This being Mozart's year, I fished for her feelings about the composer she is most identified with as artistic director of the London Mozart Players. Did she like the man behind the music?

"Yes, I mean, I sort of love him. Having said that I would certainly have loved to have met him, but I think he would have been incredibly intimidating and I would have been rather daunted by him. Though I think we would have had a great deal of fun. Do you know what I mean?"

"He is an immensely lovable person. But, as you read constantly in the letters, he doesn't suffer fools gladly. He was very contemptuous of other musicians. I suppose that's why I think I might be frightened of him. He found almost every other musician inadequate, with the possible exception of Haydn."

The language may be reminiscent of the hockey field but the enthusiasm is real. "There is this immense appeal about this chap who survived all those extraordinary ups and downs, that extraordinary childhood being paraded around Europe by his father. Who, you know, desperately tried to be a normal chap, while fighting parental control on the one hand and prejudice on the other - and in a way his own talent on the other."

Jane Glover is even more glowing about Mozart's mentor. "Haydn is absolutely adore. There is a totally lovable man, absolutely stuffed with generosity of spirit. Never had a bad word to say about anybody. Had a great sense of humour. Marvellous musician. One would have been just swept up in the warmth."

Like all serious students of the pre-Romantic age (her research subjects at Oxford were Cavalli and Monteverdi) Glover agrees you cannot read the composer's private life in the notes he writes on the stave. "All sorts of appalling things happened to Mozart from the time his mother died. And there is no reflection of that in the music at all. The fact that he left this girl in Mannheim, Aloysia Weber, and was desperate to get back to her, nor when he did get back to her, nor when she chucked him out. Or indeed of the years of frustration in Salzburg."

She mentioned the last three symphonies, written in seven weeks for no commission. "The finale of the Jupiter is one of the most brilliant pieces of music ever written by anyone. It is the most exuberant, the most... sort of... effortlessly brilliant piece of musical construction."

"How could he do that when we know that he was desperately writing begging letters at the time to



A woman who hides in the limelight

Christian Tyler meets the conductor Jane Glover

his fellow Masons. You have to divorce the man from the product."

Or divorce the woman from the product. Is it fear of being applauded, like Dr Johnson's dog, not for doing it well but for doing it at all that makes Jane Glover so fussy about music but so cryptic about herself? Or is it just old-fashioned, English upper-middle-class inhibition?

Yet another favourite composer is from our own age: Benjamin Britten. I asked why.

"Well again I can't explain it. Why's your favourite colour green?"

Do they have anything in common? "Quite a lot. Not least the fact that Britten was a very good Mozartian, as I'm sure you know. And I think there's something about the discipline and a sort of classical restraint in Ben which may be simply an Englishness in him."

She has put many more up-to-the-minute works into her orchestra's repertoire and declares an affinity for almost every composer but Wagner. I suggested Wagner was a medical condition, like dandruff, people either had it or they didn't. "Some people do catch it, too," she said. But she couldn't, or wouldn't, explain her dislike further.

I crossed the line. Do you have much time for social life? "Oh yes. But it's rather crammed into precious corners."

You're not married, and haven't been. Do you contemplate marriage?

She let out a sort of cry, whose meaning was not clear. "I haven't ruled it out at all."

You haven't put it aside for the sake of your career? "No, absolutely not. No, heavens. It's very important to have relationships."

Look, sorry," she added. "I am really a very private person. So much of my life is in the public eye that my private life is desperately important. I'd much prefer that you didn't talk about my private life at all."

Do you have it in the family? (Her

close friends are actors."

I asked about the glamorous long black dress.

"The preoccupation with looks, with dress and make-up and hair and so on is part of the pre-concert ritual, and it is quite comforting. It's quite ludicrous, of course, because I spend all that time putting slap on my face and then spend the entire evening with my back to the audience."

"I suppose it is rather like an actor getting into costume. It's a very necessary preamble to going out there and giving a performance. When we do occasionally do concerts in casual clothes it does feel quite different."

I choose my evening wear with tremendous care and I love it. It's a lovely part of the business.

I like wearing long black frocks. I enjoy clothes. Who doesn't?

Jane Glover says she is shy, which surprised me. And that she has no ambition, which surprised me even more.

"If you really wanted to pin me down to an ambition in life I would ask of life to achieve some sort of wisdom and peace of mind and great fun, in roughly equal quantities."

It wasn't a very exciting answer. I suggested she could achieve a lot of that by sitting in a barrel like Diogenes.

"Not much fun there. Not much wisdom. Fun of course is immensely important. Most musicians have a hoigan element."

For her sake, I really hope she does too.

The language may remind you of the hockey field but the enthusiasm is real

The thermometer was falling fast, and not only because the window was open in the music room of the soberly decorated Hampstead flat where she sat under a copy of Lange's portrait of Mozart.

I tried the other forbidden topic. Was she still getting misplaced attention because she is a woman?

"I don't think so."

Does it make a difference what sex a conductor is?

"The people you should ask are the musicians."

Why do so few women emerge as conductors?

"More and more are of course. You should talk to Sian Edwards

father taught classics at Ampleforth College, a monastic public school in north Yorkshire, where she was born."

"No."

In the blood?

"No."

Do you like performing?

"I would have been a lousy actor."

I meant do you like the sensation of being on the stage?

"No, no, no. Anyway, I'm not when I'm conducting opera. I'm in the pit. Maybe that's why I like it because I'm out of sight. I feel very at home in a theatrical context, with actors and singers. A lot of my

Sports marketing companies were paid for advice, high-profile consultants organised a huge tableau to woo the hierarchy of FISU - the international student sports federation - and any councillor who could find a suitcase went along. The total cost was nearly £300,000.

There was no other bid. Indeed, a brief letter on a single sheet of notepaper would probably have secured the games for Sheffield.

"It's a farce," said a civil servant based in Sheffield, who asked to remain anonymous. "We spent over £250,000 against no opposition to bring a third division event here."

With disarming candour, even the most senior people involved at the "bidding" stage admit that they had little idea what they were getting into. "I was chair of the recreation committee at the time," recalls Peter Price, a laboratory technician by occupation. "Like everybody else I had never heard of the WSG."

One of the first big decisions taken by the city council was to set up a separate commercial company, Universade GB Ltd, to operate the games themselves. It was to be self-financing through sponsorship,

merchandising and the sale of TV rights.

An experienced and high-powered team led by Peter Burns, former chief executive of Crown Paints, was recruited, though its style jarred with the traditionalist Labour council from the outset.

First-class travel and red spectacles were not the accepted style around Town Hall.

Perhaps that could have been forgiven but UGBL failed to raise any significant national and international sponsorship. Forced to live on a council-backed overdraft, tensions were bound to rise. Last summer, UGBL was quietly put on ice and all the senior staff given one day to clear their desks.

Management of the games was brought back in-house. The visitor seeking the WSG secretariat now follows a trail of shabby, hand-drawn WSG arrows taped to the pillars of the Town Hall until finally arriving at the housing department.

Ray Gridley, director of housing, is seconded to run and finance this vast event and clearly having the time of his life.

Cheerfully admitting to having no previous experience of running a major sporting event, he said: "The

The romance of travel

Michael Thompson-Noel

UNTIL LAST weekend I had never enjoyed a "romantic gourmet break" in France or anywhere else, so when the opportunity arose I grasped it manfully.

The chance to sample a romantic break in the Pas de Calais was made possible by the travel company French Expressions, one of whose directors, the vivacious Marcelle Hoff, wrote to me confirming the arrangements and enclosing the following items:

"1) Sealink ferry ticket - courtesy of Sealink.

"2) Hotel leaflet.

"3) Voucher to be given to the hotel on arrival.

"4) French Expressions Handy Hints."

The current price of a two-night French Expressions romantic gourmet break at the Auberge du Moulin de Montbreux in Lumbrès, 25 miles east of Boulogne, is £229 per person, though in my case, Marcelle explained, the charge would be waived.

"French Expressions," she wrote, "will pay for your accommodation, evening meals, breakfasts and the champagne, flowers and chocolates that we include in one of our Romantic Gourmet breaks."

I had been alerted to the charms of the Moulin de Montbreux by an esteemed colleague, David Dodwell, a man - I reckon - who could produce a best-selling volume on romantic gourmet breaks if anyone ever asked him to.

I could have taken some pompous but decided on reflection, to invite my assistant, Miss Lee, on the grounds that she owns many fine items of clothing and anyway needed an airing. The weekend proved a triumph. How bizarrely remote the Gulf seemed, how futile the sounds of war, how innocent, in comparison, our own artless doings and sweet ingenious talk.

We shopped in Le Touquet, shopped in Boulogne - and ate a ridiculous amount of food. Towards the end of dinner on the second night I observed to Miss Lee that the food had been outstanding and the company... divine. She regarded me suspiciously.

"You're strangely cheerful," she said through her *smouff*. She drank a drop of red, and then a spot of white.

"Often, when you travel, you become melancholic, as though the cares of the world were pressing on your shoulders. You think people are out to bustle you, take advantage of your nature. Sometimes you lose weight. Whenever that happens I know you are getting ready to write something mischievous."

"I know," I said. "But this magical weekend - the crinkly wintry weather, the chocolates and champagne, our softly inviting bedroom, the beauty of the auberge with its ducks and its millrace, the taste of this perfect *smouff* - has caused me to ponder."

Miss Lee snuffed impatiently. She was dressed like a vision in a black crêpe skirt with matching top, black suede shoes, pewter-coloured stockings, pearls from Hong Kong and a slim gold bracelet.

"Ponder?" she said; she downed a

spot of red and then a draught of white. "What do you mean?"

"I have been pondering," I said, "the nature of travel writing - at least in newspapers - and wondering whether there isn't too much clever-dicking going on: too many sensitive souls letting hither and thither and writing mournful, imperishable stuff. I suppose I blame the travel editors."

"But you were a travel editor."

"Spot of white," she said, "I have been wondering whether those comically cheerful TV travel programmes haven't got it right - *Wish You Were Here*, stuff like that: the sort that find everything and everywhere astonishingly congenial and employ telegenic personae to gush, endorsements, advertisements, really straight to camera while dunking their spotty faces in plates of pasta or skidding down the water-chute in some kitsch Florida resort."

"They don't go in for cleverness. Just gush gush gush. All I am saying is - perhaps they are right. The world is rather wonderful. *Lumbrès* is wonderful. This meal is wonderful. So is your outfit. Your eyes are pools of amber, your neck as white as..."

Miss Lee downed a third of a bottle of champagne and coughed into her handkerchief.

"You've changed your tune," she said. "You used to say that good travel writing was simply good reporting with a few embellishments, but that it was often extremely difficult because it was all so subjective and because of the snares and traps. Sometimes, I feel, you confuse reporting with rudeness. You were rude about Jamaica."

"She drank half a bottle of malaise."

"No I wasn't," I said. "At least, not without due cause."

"You told your readers how I went for a dip in the Rio Grande in a very expensive swimsuit and the water was green and cool and this pig wandered up while you were drinking coconut milk and you chatted to the pig which then threw itself into the river?"

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World Student Games

Sheffield steels itself to pay for a £150m ticket

Keith Wheatley offers a cautionary tale for all cities which dream of staging large-scale sports events

EVERY SPORTS administrator, promoter or civic visionary who dreams of staging an Olympic Games in Britain should be obliged to make a lengthy visit to Sheffield.

The steel city is opening a £150m-worth of new stadia, pools and sports halls. From July 14 to 25, Sheffield hosts the World Student Games.

If any member of the public outside south Yorkshire has actually heard of the WSG it is almost certainly because of the recent publicity surrounding the city council's attempt to strong-arm Michael Heseltine, the environment secretary, into providing up to £10m of departmental money to run the event.

Commercial sponsors have stayed away in droves. Six thousand athletes from 120 countries will compete in Sheffield. In the litanies of the organisers, the event will be bigger than the 1980 Moscow Olympics - and probably about as controversial.

Fonds Forge swimming complex opens to the public on March 9. Technologically and aesthetically it is breath-taking. In the Olympic diving pool, computerised "bubblers" aerate the water so that competitors practising do not get sore heads as they enter the water.

The Olympic pool - slightly oversized to allow for the concrete "shrinking" in the next century - has floors which can be moved to adjust the depth of the water.

Transverse beams, incorporating electronic touch-pads for racing, span the pool and can divide it into three separate units. The adjacent leisure pool has fumes, spas and wave-machines.

"You only work on something like this once in a lifetime," sighed the Mowlem engineer who was about to hand Ponds Forge over to its new owners. The complex has cost £33m - one-third of total capital expenditure on the games.

Last summer, the Don Valley athletics stadium opened. International miller Peter Elliott, who used to work in a steelworks just down the road, declared it just splendid, a rival to London's Crystal Palace. Since that meeting, usage of the 25,000-seat stadium has been patchy.

Even a year ago councillor Peter Price, political spearhead of the games, declared himself "very optimistic" that soccer's Sheffield United would take it on as a home ground. Yet neither Wednesday nor Sheffield Eagles rugby league team play at Don Valley, their few thousand supporters can have 10 seats each.

Why should anyone be amazed at the grandeur of the new facilities? After all, a poor man can buy a Rolls-Royce if he is willing to shoulder a mountain of debt and forgo a few of life's necessities.

Sheffield City Council is fighting for its financial life. Services are being cut and 3,000 redundancies

will be made in the coming year. Yet when the consortium of French and Australian banks that loaned the £150m for WSG facilities begins to require repayments in 1992, the cost to the city will be nearly £10m a year for almost 20 years.

"I think it's a sad mistake on the council's part," commented retired engineer George Cowley as he waited for a bus next to Ponds Forge. "The sports sound grand but it's the cost. There's my council flat rent to go up £2.50 plus more poll tax next year to pay the interest."

A civic discussion group enjoyed by George Cowley has already been axed. A metal-working class at Loxley college is about to go. "Money's been borrowed and the public's not been told about it until now," he says.

Indeed, civic manure is just starting to hit the fan over the games village. Seven hundred flats in an old high-rise block called Hyde Park are being hastily renovated at a cost of £1.5m to provide accommodation for the athletes. In August they will be demolished.

"I've got a 10-year waiting list for houses in my ward," said David Chadwick, leader of the Liberal Democrats on Sheffield council. "You'd never explain to your average homeless couple that it makes sense to refurbish 700 flats and then demolish them."

The sad mistakes probably began when the delegation from Sheffield travelled to Zagreb in 1987 to "bid" for the World Student Games.

